## BUSINESS WEEK





American Export Gets New Skippers, Gehan and Bay (page 164)

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FEB. 23, 1957

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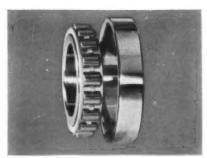


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18

ROLLER BEARINGS

### IN BUSINESS THIS WEEK February 23, 1957

GENERAL BUSINESS	CONGRESS TAKES AIM AT BIGNESS. The Democratic investigators line up their sights on that old bogey, big business	29	
BUSINESS OUTLOOK 23 WASHINGTON OUTLOOK 45	BEHIND THE MIDDLE EAST POLICY CRISIS. Israel's refusal to withdraw troops leaves situation in a stalemate, with Congress getting restive	30	
INTERNATIONAL OUTLOOK 159 PERSONAL BUSINESS 181	NEW YORK STATE'S BIG POWER RESOURCE MAY GO TO WORK.  Decision on sale of St. Lawrence power may help state's bid to develop Niagara.	32	
FIGURES OF THE WEEK 2 CHARTS OF THE WEEK 200	BRINGING THE OUTDOORS INDOORS. National Sports & Vacation Show packs in record crowds.	34	
READERS REPORT 5	DROP IN EMPLOYMENT BAFFLES EVEN EXPERTS. They're debating whether January slide is just a seasonal dip or a warning signal	36	
	E BONDS DUE FOR SWEETENING. Interest hike to 31/4% heads for Congress O.K.	38	
	TAX BORROWING SET FOR A JUMP. With more companies planning to go to banks than last March, a new money squeeze may develop	40	
	IN BUSINESS. News about Texas oil allowables, insurance company in receiver- ship, community for scientists, the merger trend	42	
THE DEPARTMENTS			- 1
BUSINESS ABROAD:	GM Makes Its Knowhow Work Down Under. Australians scramble for Its Holden	134	
	Trinidad Gets Set for Role as Capital	142	
	In Business Abroad. News about coal exports, Jaguar deliveries, IMF loans	147	
CANADA:	Suez Starts a Rush of Migrants. Tightening caused by crisis in Europe sends Canada a wave of British and other migrants, a new flow of capital	185	
	Building Boom, Canadian Style. Montreal gets a new main stem for business	195	
	In Canada. News about Swedish deal, expansion, Trans-Canada pipeline	199	
FINANCE:	The Favorite Port in a Storm. Electric utility stocks are the old standby  Leaseback Deals Under Fire. Challenge comes from stockholders and Congress	125 128	
GOVERNMENT:	Flood Insurance Plan Shapes Up. A \$100-million experiment	149	
	In Washington. News about water supply plan, VA housing, new power dispute, GI loans, tax evasion	156	
LABOR:	Soft-Pedaling the T-H Clamor. Labor leaders fear to press for amendments	67	
	Phone Strike Close to Peace. Negotiators in Portsmouth, Ohio, can see the end.	68	
	Under One Pact. Philadelphia recognizes a single union for city employees	70	
	The Hiring Pattern Will Change. U. S. will need a labor force of 74-million by 1965  Housing Squeeze on Workers. Unions want middle-income housing	72 75	
	In Labor. News about long-term contracts in lumber, UAW's new bid for tech-		
	nicians, the foreman's role in bargaining, rail union merger	82	
MANAGEMENT:	To Pilot a Ship Line, It Takes a Canny Captain. New management team at American Export must guide company through strictly controlled waters	164	
	In Management. News about a new proxy fight, "help wanted" signs for executives, a bonus for the bosses	173	
MARKETING:	Another Upward Push for Liquor	49	
	A Place for the Private Label. Smaller grocers are stocking "controlled" brands.  In Marketing. News about orange juice by ship, retailing influx	57	
THE MARKETS:	Death Knell Or Respite. Ex-bears say the market boom is over; bulls claim it's just		
	resting, as it did in 1953	175 175	
MONEY & CREDIT:	Why Treasury Is Hamstrung. It can't stretch out the national debt without running afoul of contrary fiscal and credit policies.	85	
NEW PRODUCTS:	How to Cash In on Lucky Finds. Or what to do about serendipity	105	
PRODUCTION:	Start of a Plant—and a New Plastic. With first production of a new type material, the industry is at a crossroads.	94	
RESEARCH:	Navy Builds Itself an Atomic Age Lab. A radiological research program in a		
	windowless West Coast fortress	114	
	In Research. News about hunting ore, solar furnace, upper air speeds, cancer	123	
100 100 WEEV - E-L 99 1007	BUSINESS WEEK is published weekly by McGraw-Hill Publishing Co., Inc., at 99 N. NUMBER Broadway, Albany I, N. Y. Entered as second class matter Dec. 4, 1936 at the Post	1434	

#### FIGURES OF

1947-49=100			1,	947-49=10	160
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NVI					14
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	957				
	-				12
1952 1953 1954 1955 1956	F M A	M J J	A S	0 N	11
1952 1953 1954 1955 1956	1946	Year	Month	Week	§ Lat
USINESS WEEK INDEX (chart)	Average		Ago 152.9	Ago	*150
OSHALSS WELK HADEN (Char)	. 91.6	151.4	132.9	†151.1	-130
ODUCTION					
iteel inget (thous, of tons)	1,281	2,433 158,899	2,472 177,778	†2,501 †179,776	2,4
Nationabiles and trucks		\$74,216	\$57,132	\$57,045	\$60,8
lectric power (millions of kilowatt-hours)	4,238	11,321	12,556	12,019	11,9
Crude oil and condensate (daily av., thous, of bbls.)		7,116	7,431 1,708	1,463	7,5
Paperhoard (tons)			278,737	282,539	280,0
ADE					
Carleadings: miscellaneous and L.c.l. (daily av., thous, of cars)			67	67	
Carleadings: all others (daily av., thous, of cars)			107	41 94	1
Business failures (Dun & Bradstreet, number)			278	287	3
RICES					
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100)			435.5	420.0	413
Industrial raw materials, daily index (BLS, 1947-49 = 100)			97.5 83.8	95.3 81.5	94
Print cleth (spot and nearby, yd.)		20.5¢	18.5∉	18.3€	18.
Finished steel, index (BLS, 1947-49 = 100)	1176.4		171.1	171.9	17
Scrap steel composite (Iron Age, ton)			\$57.83 35.890¢	\$53.33 33.869¢	\$53. 32.67
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)			\$2.36	\$2.32	\$2.07
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	**30.56¢	36.48∉	33.42¢	33.79∉	33.7
Neel teps (Boston, lb.)	\$1.51	\$1.80	#	\$2.21	\$2
NANCE					
90 stocks, price index (Standard & Poor's)	135.7		355.2	341.4	34
Medium grade corporate bond yield (Baa issues, Moody's) Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)		3.58%	4.49% 3%%	4.47% 3%%	4.46 3%
ANIVING (Atilians of Pollow)					
ANKING (Millions of Dollars)  Demand deposits adjusted, reporting member banks	††45,820	56,391	58.523	56,874	56,4
Total loans and investments, reporting member banks	††71,916	84,310	86,503	85,069	84,1
Commercial and agricultural loans, reporting member banks	The second secon	26,271	30,595	30,162	30,2
J. S. gov't guaranteed obligations hold, reporting member banks Total federal reserve credit outstanding			26,823 25,954	25,921 25,146	25,6 24,9
ONTHLY FIGURES OF THE WEEK		1946	Year	Month	Lat
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100)Janu	gry	Average 83.4	114.6	118.0	Mo 11
Bank debits (in millions)Janu	ary	††\$85,577	\$187,364	\$201,876	\$204,2
fousing starts (in thousands)Janu imports (in millions)Janu	ary	55.9 \$412	75.0 \$1,008	64.0 \$984	\$1,0
rollminary, work ended Fob. 16, 1957.  coised.  * Ten designated markets, middle					on requ

THE PICTURES—Black Star—142; Canadian National Railways—195; C.P.R. for Canada Dept. of Citizenship & Immigration—187; Grant Compton—34 (it. top & bot.), 35 (bot. it.), 75, 78, 164, 165 (bot.), 167; Resemary Gilliat for Canada Dept. of Citizenship & Immigration—185, Herb Kratovil—cover, 35 (top it. & rt.), 36 (bot.), 165 (top); Re bert Lackensh—114, 117; Archie Lieberma—57; Ivan Massar—94, 95, 96, David Potts—134, 135, 137; Joan Sydiow—34 (bot. rt.); U.P.—31, 126; W.W.—149; Dick Wolters—36 (top)



### How many years have research, drugs and doctors added to your life?

Alexander the Great died at 33, Mozart at 35, Keats at 26. Generations ago it was an accepted tragedy of life that legions of the young and promising would be swept away by disease.

One by one, serious maladies have yielded to scientific attack. In the past 56 years alone, life expectancy has increased an amazing 21 years, and climbs steadily.

Continuing research by pharmaceutical companies is one reason why people live longer and healthier. Typical of the new drugs—tetracycline, the antibiotic that eliminates

the terrors of many infectious diseases; tranquilizing drugs, such as meprobamate, which permit thousands of tense, high-strung people to lead productive lives.

In far-sighted research—new and more efficient products—the pharmaceutical industry, working in an atmosphere of economic freedom, shares with the medical profession a major contribution to mankind. How banks may play a part in scientific progress is aptly illustrated by our own close association with pharmaceutical companies. For many years Bankers Trust, with its correspondent banks, has worked with leading pharmaceutical manufacturers, supplying financial services adapted to their special needs. We would like to do the same for you in your business. Call on us.

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## Wausau Story

by A. C. NIELSEN, JR.
Executive Vice President,

A. C. Nielsen Company



Curbatone artists from Wausau's Junior High School and Wausau visitor Mr. Nielsen get a lesson in art and observation from instructor Don Crawford.



"Every time I'm near a construction job, I have to stop and see what's going on. They were repairing a street when I was in Wausau so, of course, I joined the crowd along the curb. "Then I discovered I was right in the middle

of an art class from the Wausau Junior High School. I watched those boys as they'd take a good look at the busy scene in front of them and then sketch what they'd seen. 'This makes sense,' I said to myself. 'These youngsters are learning how to observe and record their observation.'

"I'm a great believer in that. Naturally, I suppose, because I'm associated with a company whose business is observing. As a market research organization, we watch and record the progress branded merchandise makes in stores.

"An interesting thought struck me as I observed Wausau and its people. Here is a city that has become a famous brand name. Not a name on a package of merchandise but a name that identifies a good way of life. An attitude and a manner of living as closely distinguishable as any trade-mark.

"That's the kind of information you can't record in a statistical table and show on a trend chart. But I could sense it and knew it for something mighty worthwhile as I visited Wausau, Wisconsin."

We thank Mr. Nielsen for his comments on our Wausau "brand" of life. We try to make it our brand of business, too. Our business is insurance. We write all lines of fire and casualty and we are one of the largest in the field of workmen's compensation. Discover our brand of doing business. See our representative (consult your telephone directory) or write us in Wausau, Wisconsin.

"I enjoyed visiting the home of Mr. and Mrs. Carl Hansen in Wausau. They have one of our Audimeters on their TV set. It automatically records their pattern of listening. By collecting data we can tell advertisers how their programs rate. Mrs. Hansen was canning pickle relish from her home-grown ingredients. She gave me a sample. It sure rated tops to my taste."







"Good people to do business with"

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#### READERS REPORT

#### Hamming It Up

Dear Sir:

As a member of the amateur radio fraternity, I would like to commend you on your excellent summary of "ham" radio in your Personal Business column [BW-Feb.2'57,p125]. It concisely and accurately portrays this fascinating

One of the things I find unique about ham radio is the lack of any discrimination. My wife, who has the call of W3DBN, and I have made friends with people in all walks of life and there are many examples on the ham bands of multimillionaires and gas station attendants who hold daily schedules with each other. At the end of a working day, I find that getting on the air for a "rag-chew" (ham equivalent of a bull session) is an excellent tension reliever. . . .

JAMES M. COLLINS

LANDENBERG, PA.

#### Foot in Mouth

Dear Sir:

The article "Grooming Transistors to Crack the Big Volume Markets" [BW-Feb.2'57,p66] was very well written.

However, the statement that "currently Motorola makes transistors for its own use only" is an error. We have been marketing transistors to original equipment manufacturers since August of

W. R. SITTNER

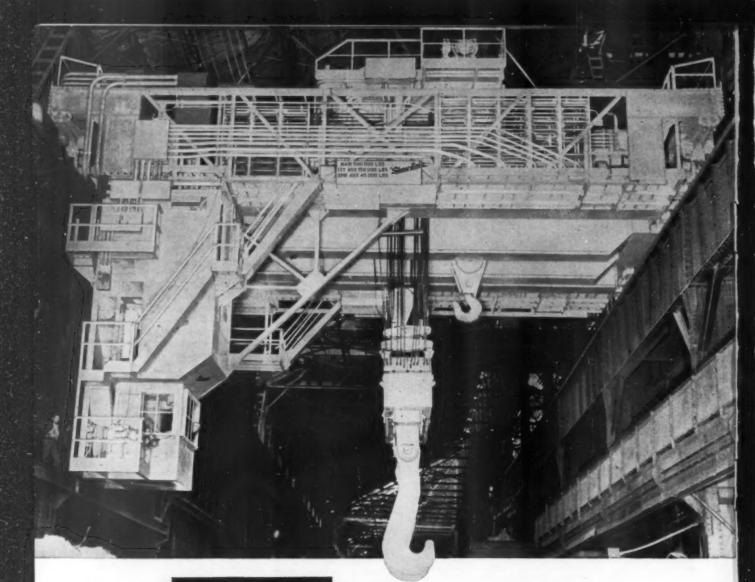
SEMI-CONDUCTOR PRODUCTS DIVISION PHOENIX, ARIZ.

· What we meant was that Motorola's decision to go into the manufacture of transistors was made with the idea it could make them for its own use more economically than it could buy them. We got our motivations and marketing mixed.

### Stamp Stirrings

Dear Sir:

Your comments on the philatelic investment market in Personal [BW-Jan.12'57,p157] Business while not untrue, were very misleading. True, after advising purchasing mint commemorative issues, you hedged by saying "wait and see before buying." But in reality the last limited issue was in 1948, that of the 5¢ New York



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## LOOK TO

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electronic communications equipment

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3-30 SW CONVERTER. A whole new world of listening, the whole wide, wide world, is made possible in your car with Gonset short wave converters. Readily attached to the regular auto radio, they extend the listening range to include aircraft, ships, coast guard, foreign broadcast, amateurs, civil defense, and many other services

TV ANTENNAS manufactured by Gonzel on a large volume basis are used throughout the country in widely varying reception areas

transmitter and receiver—was one of the first, commercially available, complete VHF station "packages." It has proved itself over and over again in major disaster areas across the country-often operating in a radius of a hundred miles or

more. Special models operate ground-to-air. Continuous research and development keeps Gonset products among the most advanced in the industry. Years of manufacturing experience keeps them always dependable.

For name of nearest dealer and full information on products, services and facilities of Gonset-and other Layco products-write . . . L. A. Young Spring & Wire Corporation, 9200 Russell St., Detroit 11, Mich.

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Fire occurred in this section of work room when incinerator door opened and dropped blazing paper on other waste. Note location of the Grinnell Sprinkler which doused flames, averting a serious fire.



Pre-Revolutionary building of wood-frame construction in which the Vineyard Gazette is published.



Work room of newspaper, on ground floor of building, where fire broke out.

### Sprinkler Saves Island Newspaper From Fire

Single Grinnell Sprinkler Douses Blaze In 200-Yr.-Old Building On Martha's Vineyard, Mass.



What about you? Could your business survive a serious fire? Would insurance fully reimburse you for the loss of your buildings, equipment, records, trained personnel — in short, your ability to produce?

Grinnell Sprinklers stand ready day and night, year after year, to stop fire when it starts . . . during those first few moments when a *little* water will do what *tons* of water often cannot accomplish later on.

When you consider that the installation of a Grinnell Automatic Sprinkler System reduces fire insurance premiums from 50% to 90%, it becomes an investment that pays for itself within a few years, and then starts paying you substantial cash dividends.

We shall glady survey your property and submit an estimate, without cost or obligation. Write or phone Grinnell Company, Inc., 265 West Exchange 8t., Providence 1, Rhode Island.







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### that give stamina to your products

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Their dependability, and efficiency (optimum weight-sizehorsepower ratio) are qualities that result from proper design and careful manufacture by personnel with many years of experience in the small motor field.

May we demonstrate how Lamb Electric Motors can bring these advantages — and also perhaps lower costs — to your products?

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In Canada: Lamb Electric—Division of Sangamo Company Ltd.—Leaside, Ont.

Lamb Electric

SPECIAL APPLICATION MOTORS

City airmail. Other 1948 issues were limited also but there are still enough to satisfy demand. Since then most issues have been printings from 100-million to 120-million copies. . . .

RON WEEKS

COLFAX, ILL.

Dear Sir:

As both a stamp collector and investor for many years, my hat's off . . . for an excellent article on stamps as a possible investment.

LEWIS SPECTOR

NEW YORK, N. Y.

Dear Sir:

In view of your proximity to the New York . . . stamp market, I was more than ever surprised to see you perpetuate the old myth of "investment" in United States commemoratives. . . .

As far as my stamp-dealer clients are concerned, I shouldn't be making this complaint, for the retail stamp dealer is always glad to see stamp "investing" plugged.
. . . It brings thousands of new "investors" in to buy up the current issues, which would otherwise languish at face value for years. Then four or five years from now, when the majority of the new "investors" get discouraged (in spite of warnings that they'll have to wait 10 or 15 years), they come around and sell their holdings to established stamp dealers at face or below. It's the greatest system ever devised for vicariously building up an inventory of current issues, as far as stamp dealers are concerned. . . .

JAMES A. DECKER HENRY HOWLAND SERVICES PRAIRIE VILLAGE, KAN.

Dear Sir:

Your article and hints on stamp collecting . . . made me want to pursue the matter a little further. . . .

NAN M. HOPKINS FOUNTAIN INN, S. C.

Dear Sir:

... I agree with scope—not with advice given regarding stamps to collect. You should have given as place to order stamps: United Nations Postal Administration, United Nations, New York. . . .

At present current U.S. stamps are a poor investment, primarily because centering is so poor on most stamps (an improvement much needed) . . . and the enormous amount printed! . . .

JOHN M. CUNNINGHAM

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New Johns-Manville Imperial Marinite Asbestos Movable Walls create truly distinctive offices for the discriminating business executive.

Imperial Marinite Walls are noncombustible. They are not only easy to dismantle and re-erect, but are also specifically designed to meet the most exacting decorative and architectural standards. The panels are flush and projection-free, come in standardized and interchangeable units to insure maximum flexibility. A different finish or panel arrangement may be used on opposite faces of each partition.

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Johns-Manville Movable Walls are available in several other types to meet varying budget and architectural considerations. For free brochure describing new Imperial Marinite Walls, write Johns-Manville, Dept. BW, Box 158, New York 16, N. Y. In Canada, write 565 Lake Shore Road East, Port Credit, Ontario.

See "MEET THE PRESS" on NBC-TV, sponsored on alternate Sundays by Johns-Manville



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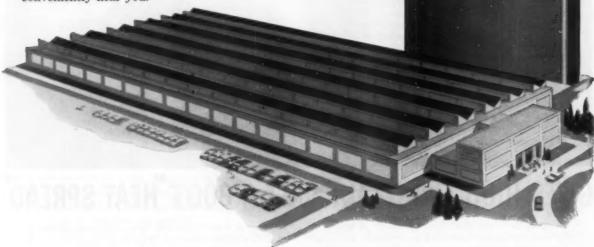
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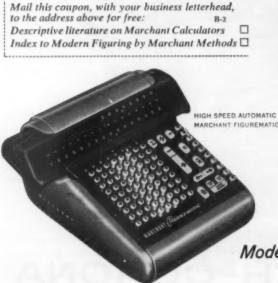
Yet there's no mystery why a Marchant calculator is so accurate. Every number you touch appears in one of three dials-not just the keyboard. This gives you continuous proof throughout every calculation. As a further guarantee of accurate figurework, Marchant's positive internal dial-stop just won't let a dial "overthrow."

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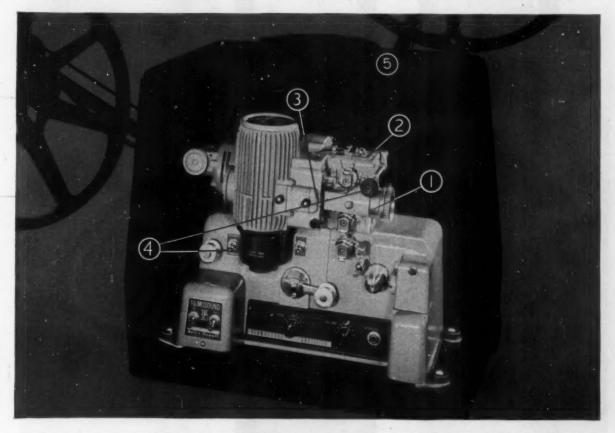




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For information about the Federal AUTOPILOT address Federal Telephone and Radio Company, a division of IT&T, Clifton, N. J.

### HOW

### HERCULES

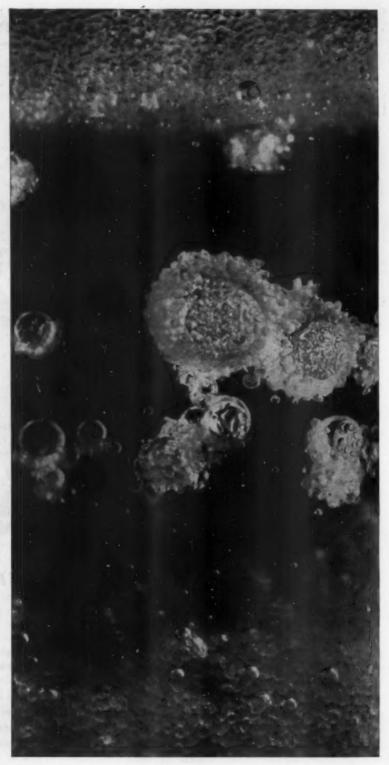
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### **BUSINESS OUTLOOK**

BUSINESS WEEK FEB. 23, 1957



Your customers probably aren't placing orders quite so anxiously as they were late last year.

If so, you're not alone. Most of industry is feeling this.

Perhaps it is only temporary—a little too much inventory, the pinch in working capital, the need to raise money for taxes.

The consumer will call the tune, in the last analysis. And there is no sign yet that he is trimming sail.

There are indications, clear for all to read, of a modest mid-winter sag in the level of manufacturing generally.

The Federal Reserve Board's seasonally adjusted index of production fell a point in January from December's peak of 147. Business Week's Index (page 2) now is just about where it was a year ago—pointing to a Federal Reserve figure of about 144 for February.

March usually is regarded as the month to watch for the spring upturn. That may be optimistic this year, however.

The impact of taxes, of course, will be holding March back.

But, more important, if there is any significant liquidating to be done in inventories, the job won't be completed quite that quickly.

Loadings of miscellaneous and less-than-carlots of freight, which provide some measure of manufacturers' shipments, began to show signs of weakness a good while ago (BW—Nov.10'56,p28).

This weekly indicator continues to lag year-ago levels; the latest report shows loadings of 400,411 cars against 412,018 last year.

Slightly smaller freight haulage, incidentally, eases the railroads' need for new equipment somewhat. New orders for freight cars have fallen off.

The builders, meanwhile, are able to get enough steel to maintain a very respectable output. They delivered 7,822 cars to the roads in January.

These deliveries exceeded new business by enough so that they nibbled about 2,500 cars off unfilled orders. The backlog now is just under 115,000 compared with 145,000 at this time last year.

Steel output continues to run ahead of last year, but not by so wide a margin as you might think.

This week's output is estimated by the American Iron & Steel Institute at 2,475,000 tons. For the same week last year, production was 2,433,000 tons (and operations as a percent of capacity are lower now, because capacity is about 7-million tons larger).

Moreover, steel held close to capacity last year right up to the strike, while this year's second quarter may slip a bit.

Aluminum producers continue to operate at a rate substantially higher than a year ago. Yet, partly due to power shortages but mostly because supply has again caught up with demand, average daily output of aluminum has tapered off a bit from the peak reached last summer.

### BUSINESS OUTLOOK (Continued)

BUSINESS WEEK FEB. 23, 1957 January's rate of production, at 4,743 tons a day, was off nearly 100 tons from November and 150 from last July. Nevertheless, it remained 225 tons a day better than a year ago.

Autos aren't making the comparison with year-earlier figures that many had hoped they would by this time. Neither January nor February is showing any better than slight gains over 1956.

But the comparison will look very much better from now on.

Output remained fairly high into March last year, then hit the skids. By May, monthly production had fallen below 500,000 cars.

This year an average of better than 600,000 cars a month is indicated at least from March through May. And the hope remains that this figure will prove conservative as the season develops.

Electric power output remains one of the relatively favorable indicators of business. Its growth curve is such that it is holding about 6% higher than a year ago (even though it is possible that industrial demand for juice isn't showing so good a gain as over-all load).

Another way to measure power demand is by the Edison Electric Institute's seasonally adjusted index: 225 now against 212 last year.

Conditions in the textile industry continue unsatisfactory.

Cotton mills, for example, had the slowest January in the last six years except for 1954 (and they didn't top 1954 by much). In addition, output curtailments apparently are continuing into February.

Copper producers have noticed no particular improvement in demand, and apparently are seeking a price that will prove stable.

The cut to 32¢ a lb., which became general this week, compares with 46¢ a year ago. But it still is being shaded by the custom smelters and is between 1¢ and 2¢ higher than equivalent London quotations.

It may be interesting to note, in this connection, that **British** producers think the market may be scraping bottom. They mention the possibility that current prices should encourage U. S. stockpiling.

Construction figures hold somewhat less promise than in most recent years—whether you're looking at big projects or housing.

- A four-week moving average (to smooth out humps) of the Engineering News-Record reports on heavy contract awards now is at \$61-million against more than \$74-million this time last year.
- Housing starts in January were at an annual rate of only a shade better than 1-million. This was the poorest showing for any month, with a single exception, in the last five years.

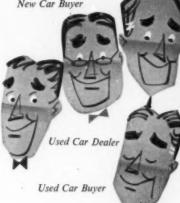
And don't forget the stock market. Any review of business indicators and the way they are pointing at the present time would be incomplete without this financial barometer—for whatever it's worth.

This week a representative stock-price index stood just below 460. At that level, it was exactly 10 points under a year ago.

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New Car Deale

New Car Buyer



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On the showroom floor—on the highway—in and out of the used car lot—all the way to the ultimate owner, stainless steel pleases everyone! Stainless keeps selling tiself because it's the metal that does not deteriorate. Always bright. Always beautiful. So easy to care for. So satisfying to find on your car. STRENGTH AGAINST DENTING

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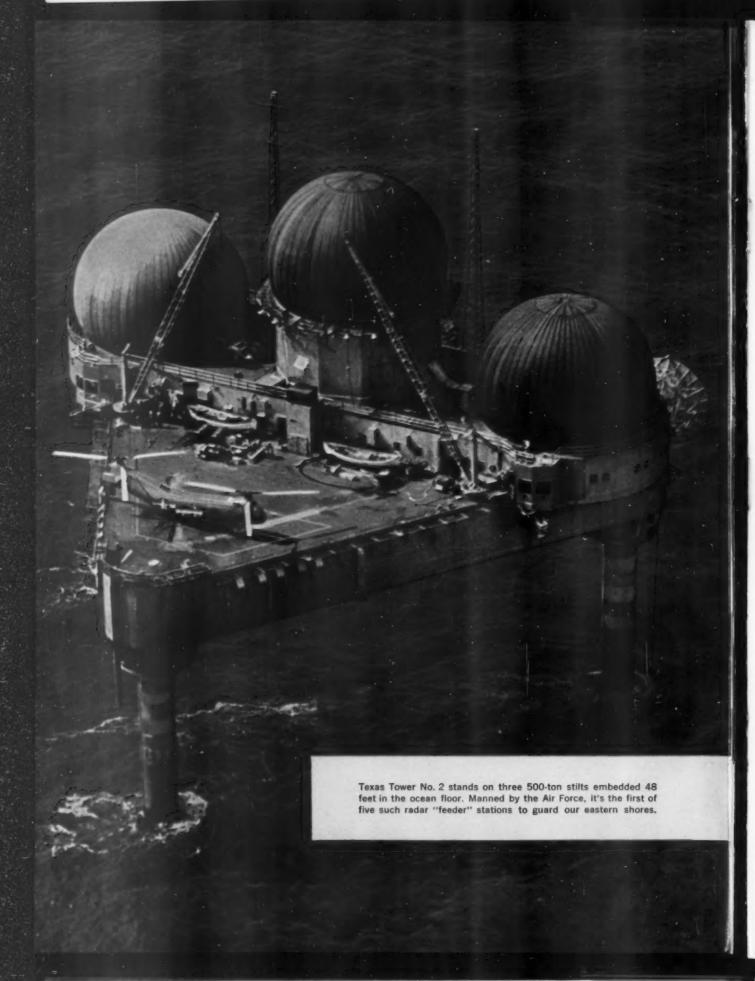
PROOF AGAINST RUST



TOUGHNESS AGAINST SCRAPES GRAVEL

CINDERS

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# STRANGE ISLAND above the sea

Standing on gigantic steel stilts in the Atlantic ocean, 160 miles off Boston, is a strange man-made island with electronic eyes. It is called Texas Tower Number Two and is the first of five radar stations being built in the North Atlantic by our Government to guard America against sneak air attacks. Sixty air force men live here, 81 feet above the water.

Handicaps encountered during the erection of this strange defense sentinel were unique in the annals of construction—high winds, mountainous seas, even a hurricane that struck before the steel legs were embedded in the ocean floor. Gulf Quality Products—and reliable Gulf service—helped the contractors maintain a round-the-clock working schedule so that this job could be completed in minimum time.

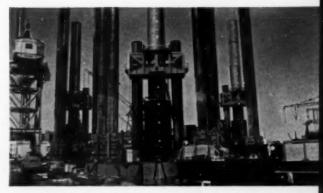
Gulf's large staff of trained engineers stand ready to give you advice and assistance in the use of fuels, lubricants and other petroleum products for any type of mechanical equipment you operate. Just write or phone your nearest Gulf office.

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For work on the underside, the huge structure was jacked 35 feet into the air. Compressed air for the 300-ton capacity air jacks came from a battery of compressors fueled and lubricated with Gulf products.



90 to 100 men worked 12-hour shifts, 7 days a week, anchoring and erecting the tower at its ocean location. Gulf Dieselect and Gulfpride H. D. Select Motor Oil helped keep diesel generators, cranes and other equipment functioning smoothly.

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The high performance characteristics of Hughes TRAN-SISTORS represent only one example of Hughes Products leadership in research and development of electronic advances. That is, why you can expect Hughes semiconductors, electron tubes, and other electronic products to play a vital role in countless wonders of the electronics era.

As one of the country's largest electronics research and

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### Congress Takes Aim at Bigness

Once again, bigness in business is a bogey—at least to the Democrats presiding over Congressional probes.

This session, investigators will look at such matters as mergers, price cutting, small business woes.

Biggest of all will be a Senate subcommittee's opus on what concentration does to industry—and to competition.

Democratic investigators in Congress are lining up their sights against the target they hope to hit hardest during Pres. Eisenhower's second term-business. And more particularly-big busi-

They are taking aim all across the map of U.S. business, in fact, at a diversity of topics:

Oil pricing.
The alleged laxity of agencies

The alleged laxity of agencies regulating Wall Street and the utilities.

· Profits of meat packers.

· Whether a manufacturer can cut prices to meet competition.

· Bank mergers.

· A tighter federal rein on all

types of mergers.

Most important, a detailed picture of the impact of concentration is taking shape. It represents an attempt to direct new-and unprecedented-light on the number of companies that compete in every one of hundreds of individual product markets.

· Purposes-At the outset, the object of all this activity will be mainly political. Few of the investigators have any well-defined legislative proposals in

mind.

By and large, the aim is to show that business giants are thriving by swallowing up small business, or pushing small business to the wall-and that present Administration policies are not much help

The oil industry has been the marksmen's early favorite in this Congressional year of investigations. On both sides of the Capitol, committees are either enmeshed in a probe of the subject or lined up to await a turn. The Senate Antitrust & Monopoly Subcommittee, under last year's chairman, Joseph C. O'Mahoney (D-Wyo.), is already deep in a study of oil price increases and the oil lift to Europe.

Federal regulatory agencies also prom-

ise to come under scrutiny. Speaker Sam Rayburn has already backed a full study of such bodies as the Interstate Commerce Commission, Federal Power Commission, and Securities & Exchange Commission. The purpose will be to check on enforcement of New Deal laws governing transportation, utilities, the stock market, and so on.

The meat industry will return to the investigation chambers in a continuation of hearings begun last summer by O'Mahoney. He wants to find out why prices paid to livestock producers have been steadily declining at the same time that consumer prices are at peak levels and packers and chain stores are showing profits.

#### I. Prices and Mergers

The investigators will devote substantial budgets to the study of small business woes. Both House and Senate Small Business Committees are readving hearings to air complaints on such matters as retailing practices and defense contract awards.

· Legalize the Name-Next after oil hearings on the timetable of the Senate Antitrust & Monopoly Subcommittee, currently headed by Sen. Estes Kefauver (D-Tenn.), will probably be sessions on his anti-price discrimination bill-designed to benefit small business and widely supported by that segment of the community. Together, Kefauver and Rep. Wright Patman (D-Tex.) have been leading the fight to upset a 1951 decision by the Supreme Court. This absolves a seller from price discrimination charges in cases where the prices were cut in good faith to meet competition. Patman and Kefauver want a law that would still legalize such price cutting—but would authorize the Federal Trade Commission to require proof from the companies that the

reductions don't harm competition.

Patman and Kefauver say their law is necessary to save small business; critics charge it will actually hurt many small businessmen and freeze price levels. But the bill is almost certain to be passed if it reaches House and Senate floors; congressmen just can't afford to antagonize small business.

On another front important to business, Rep. Emanuel Celler (D-N. Y.) wants his House Antitrust & Monopoly Subcommittee to hold legislative hearings on a batch of bills that stem from earlier investigations, including:

· A bill requiring notice to government antitrusters before companies merge. Celler's version-which his committee will try to push through the House-requires companies with combined assets of \$10-million or more to give such notice 60 days in advance. It also extends to banks the same antitrust tests now applied to industrial mergers. In the Senate, both Kefauver and O'Mahoney give high priority to legislative hearings on this bill, which bogged down last year. With solid sup-port from both Democrats and Republicans-plus Administration antitrusters-it's expected to succeed this time around.

· A bill to give the Attorney General definite authority to push antitrust prosecutions even in cases where an administrative agency-such as the Federal Communications Commission -can approve some or all of the activities in question.

· A bill to tighten the rules for operating government-business advisory groups, such as the National

Petroleum Council.

Meantime, Celler will probably also initiate new antitrust and monopoly investigations.

#### II. Concentration

What may turn out to be the biggest investigation of all by the Kefauver-O'Mahonev subcommittee is a technical study of economic concentration.

Concentration is a controversial subject, vet it's at the heart of most antitrust problems. The whole thrust of the toughened Clayton Act's antimerger law, for example, is to prevent undue concentration.

· First-According to the men working

up the study for O'Mahoney and Kefauver, the kind of information on concentration in industry they want to produce has never been available; previous studies, they say, have all been too broad. They want to bring up-for the first time-facts and figures to show the amount of concentration in important product lines. The concentration in electrolytic tin plate capacity, for example, may be far more revealing than the readily available figures on the ingot capacity of U.S. Steel and the other steel producers.

The economists say that by defining an industry too narrowly, they can prove a high level of concentration of productive capacity in almost any field. On the other hand, too broad a definition lumps non-competitive products together-and reflects just as meaningless a picture. Their aim is somewhere in

The last similar industry-by-industry report on concentration was prepared in 1949, on the basis of 1947 census figures, by the Cabinet Antitrust & Monopoly Committee of Commerce Secy. Charles Sawyer. Like similar reports before it, the Sawyer concentration report employed the 450 industry classifications that are normally used by the Census Bureau in collecting business

• Categories-For the economist, this classification of 450 industries-each represented by a four-digit symbol-is both broad and crude as a yardstick. For example, the symbol 3312 represents steel works and rolling mills. That includes pig iron, ingots, semi-finished steel, and almost every kind of steel product. The only common element is that all the items are of steel.

The 450 major four-digit industry classifications can be broken down or subdivided into a total of 1,000 additional categories, each represented by a five-digit symbol-tin plate, for example. These, in turn, may be subdivided again into 7,000 classifications, represented by seven-digit symbols-electroly-

tic tin plate is one.

#### III. What Will It Prove?

The staff expects its report to include figures on concentration for all 450 fourdigit industries, all 1,000 five-digit industries, and a selection at the seven-

digit level.

The report will also show what share of total manufacturing is in the hands of the largest 50, 100, 150, and 200 companies. Another part will compare the largest companies at the time of the 1949 Sawver report with their relative positions in 1954.

· Expert-Jesse Friedman, former government economist turned private consultant, has been retained by O'Mahoney to head the study. Friedman is an expert on the subject; he directed the 1949 Sawyer report and worked on the Temporary National Economic

Committee before that,

The project staff frankly admits that figures alone do not tell the whole story: It's possible for an industry to be highly concentrated and still be highly competitive at the same time. There's always been argument on how to read statistics on concentration-and on just what they mean to competition. Though aware there won't be complete agree-ment on the results, the economists feel they are doing everything possible to come up with reliable facts and fig-

· Political Lode-It is impossible now to say just what the subcommittee will do with the figures when the report is finished-or who will run hearings based on them. But, in any case, the report is sure to be a gold mine for investigations. Industry spokesmen might be asked the whys and wherefores on the level of concentration in their industries-and to explain any trends toward more of it. Current guessing is that these hearings might be as much as six

Both O'Mahoney and Kefauver have a stake in the study. O'Mahoney ran a similar study on concentration as head of TNEC in the 1940s, and he originated the idea for the new project

last year.

Kefauver, since becoming chairman, has stressed the importance of mergers as a cause of concentration. He has promised public hearings on the whole

• New Blood-Kefauver is making sure he can call on experts to run things when the time for hearings comes around. The new chief economist for the subcommittee, John M. Blair, is a 20-year government veteran who made his mark under the Democrats at the Federal Trade Commission. headed FTC's Bureau of Economic Reports from 1946 to 1953. An expert on mergers, concentration, and cartels, he wrote many FTC reports on these sub-

Another recruit from FTC, Paul Rand Dixon, is the new co-counsel and staff director. Dixon, as a top trial attorney for the commission for many years, specialized in trying anti-monopoly

As brand-new members of the staff, Blair and Dixon have not participated in the economic concentration study. But they will play major roles in run-

ning any public hearings.

· Uncertainty-Right now, the legislative goals-if any-of such hearings are not at all clear. And so far, at leasttough as it may appear-there is no general Congressional attitude to support a broad program of antitrust re-

### Behind the

Grim faced, the President (right) rushes back to Washington to deal with results of Israel's refusal to withdraw its troops from border areas.

President Eisenhower broke off his vacation this week to face one of the toughest foreign policy decisions he has had to make since he took office.

The decision: Should or should not the U.S. cooperate in any United Nations move-as demanded by the Afro-Asian bloc-to impose economic sanctions on Israel to force it to withdraw

its troops from Egypt?

Wednesday night, Eisenhower went on the air to discuss the complex problem. He didn't commit the U.S. to go along with sanctions in so many words. But he did issue an implicit warning to the Israelis that sanctions-supported by the U.S.-could become unavoidable if Israel persisted in its refusal to withdraw. In effect, he gave Israel a last chance to back down.

The President put it this way:

The United Nations must not fail. I believe that-in the interests of peace -the United Nations has no choice but te exert pressure upon Israel to comply with the withdrawal resolutions."

The President's broad theme leading up to his call for United Nations pressure was that Egypt's violations of the armistice in the past were no justification for Israel's armed aggression, and that as an aggressor Israel had no right to impose conditions upon its withdrawal from illegally conquered

• The Alternatives-The dilemma is a real one. Any decision is bound to damage his Middle Eastern policy

seriously.

• U.S. support for sanctions would create resentment in Congress-enough to shake Congressional support for the still pending resolution approving Eisenhower's doctrine for containing Communism in the Middle East.

· On the other hand, failure to push Israel into line could dim the Administration's hopes of bringing Pres. Nasser of Egypt to terms on the Suez and Arab-Israeli conflicts; it would no longer be possible to isolate Nasser diplomatically from the other Arab

No matter how the present dilemma is resolved it is bound to arise again in one form or another as long as the U.S. continues to play its delicate game in the Middle East-balancing Arab interests against Israeli interests. As one

### Middle East Policy Crisis



U.S. official put it this week: "The policy can succeed only if it keeps every-body equally unhappy."

• Moves—This is the background of the crisis:

Last week Dulles offered Israel full diplomatic support in (1) keeping the Gaza Strip from becoming a base for Egyptian terrorists and (2) keeping the Gulf of Aqaba open to Israeli shipping —all provided Israel would pull out its own troops from these areas. But Dulles iefused to give any concrete guarantees of direct U.S. action to enforce Egyptian good behavior.

Over the weekend, Ambassador Abba Eban rejected this offer. Pres. Eisenhower made another personal appeal to Israel to pull its forces back behind the armistice lines; Israel ignored it.

The Afro-Asian bloc in the U.N., backed by the Soviets, thereupon brought new pressure for sanctions against Israel. Dulles stalled off an immediate debate in the General Assembly, but it is doubtful that a showdown can be postponed long.

In Washington, there was a political explosion. Senate majority leader Lyndon Johnson and minority leader William Knowland both warned the Administration against backing sanctions. Influential congressmen bombarded Dulles with protests. Knowland hinted that he would resign from the U.S. delegation to the U.N. if the U.S. went along with a sanction resolution. The Democratic policy committee in the Senate voted unanimously against sanctions.

That was when Eisenhower broke off

his vacation in Georgia to fly to Washington to talk with Congressional leaders.

#### I. The Positions

All parties to the issue are now in positions from which retreat is difficult. Here is how they line up:

Israel has won by force of arms relief from Egyptian harassment based on the Gaza area. The Israelis also have won control of the Gulf of Aqaba after years when it had been closed to their shipping by Egyptian guns mounted on the Tirana Islands. Now Israel wants to build oil pipelines from Elath at the head of the gulf to the Mediterranean (BW-Feb.9'57,p29).

These are real gains which they refuse to risk unless they get iron-clad Egyptian, U.N., or U.S. guarantees.

Dulles agrees with the Israeli objectives and concedes the Israelis have reason to be suspicious of diplomatic promises. But he argues that Israel must come to terms with the Arabs eventually. The Suez debacle proved that terms cannot be imposed by force, he says; so an understanding must be reached through diplomacy.

Beyond this, Dulles believes that Israel now can put more faith in the effectiveness of diplomatic pressures on Egypt than past experience would justify. The closing of Suez has inflicted such severe hardships on both Western and Afro-Asian nations that they will bend all their efforts to achieving Middle Eastern stability. The same events have forced the U.S. into as-

suming active responsibility for promoting peace and security in the Middle East.

Dulles goes so far as to make this prediction: If the Israelis withdraw, Nasser will not dare to challenge Israeli entry into the Gulf of Aqaba, will acquiesce in temporary U.N. occupation of the Israeli-Egyptian border, and will even agree to acceptable arrangements for operation of the Suez Canal.

Congressional opposition to sanctions against Israel is variously motivated. Nasser is widely hated on Capitol Hill. A growing number of Democratic congressmen now are questioning the wisdom of the Administration's strong stand last year against the British, French, and Israeli invasion of Egypt.

#### II. The Possibilities

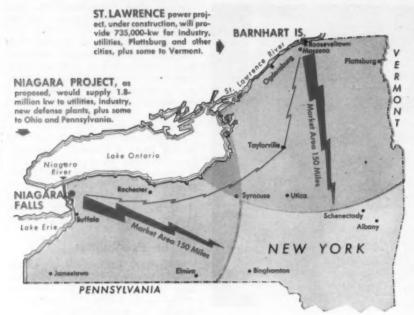
If neither side backs down within the coming week, the U.N. seems almost certain to push for sanctions.

The practical effect of sanctions is unclear. Washington has already suspended its economic aid program to Israel; it did this at the time of the invasion of Egypt. Similarly it is now holding up action on a \$75-million Ex-Im Bank loan. The only remaining important sanction would be to suspend remittances of privately raised funds to Israel. This would hit hard. Last year these remittances came to \$92-million, or nearly one-fourth of Israel's total foreign exchange income. The Israelis could hold out about six months under such pressure.

· Kickback-Even mild U.S. support of sanctions would cause a strong political reaction-enough to endanger Eisenhower's whole Middle Eastern policy. Senate support for the Eisenhower Doctrine would be weakened, though it is unlikely that the doctrine actually would be rejected. And Congressional opposition to Administration aid programs in general, and to aid for Arab nations in particular, would grow. · Crisis-The new policy crisis is a particularly bitter blow to Dulles because it erupted at a time when officials had strong hopes of finally untangling the Middle Eastern dilemma.

The Eisenhower Doctrine had seemed certain of quick and overwhelming victory in Congress. True, Senate committees had amended it to remove the specific authorization for the present to use U.S. armed forces; but the substitute language saying the U.S. "is prepared to use armed forces" against Communist aggression plus the strong endorsement of Eisenhower's general policy in a committee report was satisfactory to the Administration.

### New York State's Big Power



Gov. Harriman agrees to O.K. sale of state developed St. Lawrence power to Reynolds Metals.

This decision may win support in Congress for state plan to develop power potential at Niagara Falls.

Tentative allocations would give three private utilities bulk of power generated at Niagara.

AFTER DECADES of political bickering, one of the last U.S. waterways with important hydroelectric potential still relatively untapped may finally go to work full-time—through development of more than 2.5-million kw. from the mighty Niagara and St. Lawrence River system, surging down from the Great Lakes to the Atlantic.

• Important Decision—The prospect grew brighter this week when New York's Democratic governor, Averell Harriman, took a step that in many ways reversed his party's traditional stand. He agreed to approve a contract whereby the State Power Authority of New York would sell 239,000 kw. of St. Lawrence power to Revnolds Metals Co. Reynolds plans to build a 100,000-ton aluminum reduction plant near Massena, N. Y.

This was the latest in a series of intricate moves reflecting the whole public vs. private power war that has been raging all across the nation for years. But along the Northeast frontiers, the campaign has extra complications. In the first place, it's international, since Canada shares the Niagara and St. Lawrence Rivers with the U.S. and it isn't an ordinary two-way tussle—on some points, there are three determined adversaries.

 Status Quo—Right now, the situation is this:

 The State Power Authority will complete next year a 735,000-kw. power dam on Barnhart Island in the St. Lawrence.

 The authority is now optimistic that Congress, at last, will permit it also to build a 1.8-million-kw. station on the Niagara near the famous falls. But first a fight over who gets priority on the power must be settled.

• If it gets the Niagara license, the state authority will have to borrow \$566-million. Since its revenue would come only from sale of power, it needs firm contracts as an inducement to would-be bond buyers. The deal with Reynolds is just that sort of thing, and this is one reason Gov. Harriman braved political dangers to approve it.

• Tying the St. Lawrence and Niagara power systems together, as the authority plans, would increase the firm supply of kilowatts available at each by letting them share reserve capacity needed to meet peak loads. Integrating both with the transmission systems of private utilities, which generate vast amounts of steam power, would enhance the whole state's power picture.

 Reynolds and Aluminum Co. of America together will take better than half of the St. Lawrence output. The rest will go to city-owned electric systems, cooperatives, the state of Vermont, and private utilities.

 Local service utilities rather than industrial bulk users would get most of the Niagara Falls power. But some would go to industry, new defense plants, municipal-owned systems, coops, users in Ohio and Pennsylvania.

#### I. The Background

All this seems relatively simple. One may wonder why the two power dams weren't built long ago. For the reason, look to the three-way fight that developed in New York

veloped in New York.

The state authority was formed in 1931 when the late Pres. Roosevelt was governor of New York. Power from the St. Lawrence then was merely a dream. It was blocked by animosities over the proposals to make the St. Lawrence navigable for deep-draft ocean ships—the St. Lawrence Seaway.

Roosevelt and his successor as governor, Herbert H. Lehman, hoped publicly generated power, sold at retail by cities and co-ops, would serve as a yardstick by which to measure the fairness of private utility rates. "A birch rod in the closet," FDR called it.

• Quarrel—But nothing was done because of the triple difference of opinion, which by now shapes up like this:

The all-out advocates of public power wanted a public agency—either federal or state—to generate the power and to grant preference in its sale to city-owned systems and cooperatives (through the controversial "preference clause" in power contracts).
 The majority members of the

 The majority members of the State Power Authority, named by former Gov. Thomas E. Dewey, agreed that the state should generate the power, but didn't want to give special preference.

 The private utilities wanted to develop the Niagara, although they didn't much care about the St. Lawrence—economically, not so attractive.
 Still, on principle, they were against the state's developing it.

• Lever-The argument is still on. But Canada finally forced the U.S. hand by insisting it would build its

### Resource May Go to Work Now

own power and navigation facilities if the U.S. didn't do something. So, at this point, the St. Lawrence seaway and power projects were disengaged from one another-and from the oppo-

sition attending each.

By agreement with Canada, St. Lawrence power was to be developed separately by each country. In the U.S., the Federal Power Commission issued a license to the State Power Authority, and construction on the Barnhart Island job went ahead.

#### II. Distributing the Juice

Now, with a project actually under way, the ruckus over who would get the power-and how much-really began

to get hot.

Authority Chmn. Robert Moses, appointed by Gov. Dewey, defined a 150-mi. radius from Barnhart Island as the boundary of an area that could economically be served by the project. This definition was based on the changing economics of power generation: In New York State hydro plants no longer hold a decisive cost advantage over steam-which means also that they're not nearly so effective a "birch rod" as FDR once believed. This is because today's higher construction costs make the massive hydro plants more expensive. Steam plants also cost more to build than they used to, but the trend toward larger and more efficient generating units results in operating economies.

Result: In 1933, the cost of generating and transmitting St. Lawrence power to Utica-largest city in the area -would have been 2.2 mills per kwh; and it would have cost 10 mills per kwh. to produce the same juice at a

steam plant in Utica.

Today, it would cost 6 mills to generate and deliver the same St. Lawrence hydro power to Utica customers; a steam plant could do the job for 6.2

· Contracts-Moses' first deal for St. Lawrence power was with Alcoa. The contract called for sale of 239,000 kw. There was little dispute over this, because the new project will flood power facilities Alcoa maintains to feed the plant it has operated at Massena since 1903.

· Proposed Deals-But that still left a big chunk of power to sell, and Moses proposed to dispose of 239,000 kw. to Reynolds and 143,000 kw. to Niagara Mohawk Power Corp.

Revnolds came into the picture because the authority needed a user that would take large quantities of power for long periods each day. It invited 30 or so companies to look into the deal, but only Reynolds was seriously

· Opposition-Then municipal power people and co-ops began complaining that industry should not be allowed to take power that ought instead to go to non-industrial customers. Moses' retort was brief: Non-industrial consumers and public bodies were already guaranteed more than they would need. Anyway, he said, nobody else was in sight to take so much power and thus reduce costs to the non-industrial users.

The Reynolds proposal also met criticism on the ground that the plant would employ relatively few peoplearound 1,000-for the amount of current it bought. But the authority had the same rebuttal: No other industry

was interested.

The authority did ask Reynolds to commit itself to bring a fabricator into the area along with its plant, but the company would not make such a pledge. By the time the contract went before the authority trustees, however, it looked as if a big fabricator might come in anyway.

· Governor Acts-It was then that the proposed contract hit Gov. Harriman's desk. The three Dewey appointees had voted for it, and Harriman's own two appointees had voted against it.

In weighing his own action, and the political hazards involved, Harriman had a number of factors to consider:

· The market for Niagara project bonds-sure to be enhanced by a firm disposition of St. Lawrence power.

· Changes in power costs, which make hydro power developed by a public agency no longer a very powerful club over the heads of utilities generating with steam.

· Statistics showing that manufacturing employment in New York State has been declining, and the per capita income in the St. Lawrence Valley is the lowest in the state.

But the governor still needed to make his decision a bit more palatable politically. That became possible when he got assurance from General Motors Corp. that it would build an aluminum castings foundry for Chevrolet next to the Reynolds plant. The prospect of 500 GM jobs looked good in the upstate New York area. The Alcoa plant employs 6,000, but there has been little likelihood of much else.

#### III. Niagara

On Niagara power, progress has been delayed, again by the three-way dispute among the state authority, public power advocates, and New York's private utilities. This time, though, Congress is

also a factor.

In ratifying the 1950 treaty with Canada, providing for additional diversion of Niagara water for power generation, the Senate stipulated that Congress must decide who would develop the hydro project there. Ordinarily, such matters are up to FPC. While the three opposing groups have been fighting hard to push their respective bills through Congress Canada has gone ahead on its own.

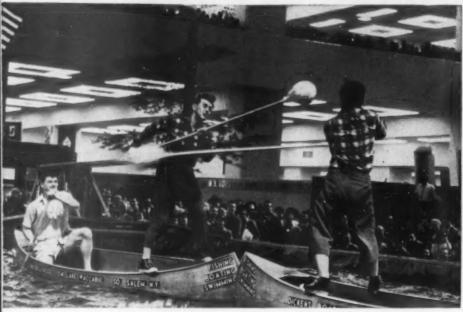
 Compromise—Negotiations between Moses' authority and the utilities were beginning to progress last June when a rock slide demolished Niagara Mohawk's 360,000-kw. Schoellkopf hydro station at the falls. The plant accounted for one fourth of the utility's power supply. Because Niagara Mohawk knew its old license for a Niagara project would not be extended beyond 1971, it saw no sense in rebuilding the plant for such a short time. So the company agreed to back the state project, if it could buy some of the power.

But as long as he was in the Senate, Herbert H. Lehman insisted on giving preference on Niagara power to co-ops and municipal power systems. Now that Lehman has retired, Sen. Joseph Clark (D-Pa.) has taken up the cudgels. Both he and Rep. Charles A. Buckley (D-N. Y.) have introduced Niagara bills including preference provisions; New York Republicans have submitted similar measures leaving it out. The GOP bill is a compromise under which the power authority would sell 445,000kw. of Niagara power to Niagara Mohawk if the company relinquishes its

While the compromise bill is given a good chance to win approval in the House, there is some question whether it will clear the Senate. In his budget message, Pres. Eisenhower was content to urge Congress to decide how the project "can best be developed."

· Power Allocations-Assuming that it eventually will get the license, the State Power Authority has made tentative allocations of the Niagara power. In addition to the 445,000 kw. to Niagara Mohawk to compensate for the Schoellkopf loss, 730,000 kw. will go to this company and two other utilities. Also, 250,000 kw. were set aside for expansion of existing industry in the Buffalo-Niagara Falls area, 300,000 kw. for anticipated new defense plants, 125,000 kw. for municipalities and coops, and 150,000 kw. for the states of Ohio and Pennsylvania. If the demands of public bodies require it, 200,000 kw. may be withdrawn from the allotment for the three private utilities.

### Bringing the Outdoors Indoors



FREE SHOW at a main-floor pool entertains the visitors with canoe jousting (above), log-rolling, other water sports; people on mezzanine have a fine view.

National Sports & Vacation Show at New York's Coliseum draws record attendance and record business this year.

THE RUGGED outdoor world stretched its muscles this week in two wide-open floors of New York City's new Coliseum. After years of being cramped in the old Grand Central Palace and two seasons in a remote armory in the Bronx, the National Sports & Vacation Show has room to demonstrate its vigor.

By the time the last canoe-tilter (left) is tilted into the drink Sunday night, around 300,000 visitors will have been clocked through the turnstiles since Feb. 15. That's twice as many as last year, according to New York Expositions, Inc., a small company that took over the staging of the show in 1955.

• Everybody Happy—Everyone knew that outdoor recreation has been growing, but no one was quite prepared for the interest that was shown when the exposition returned to midtown. Exhibitors fought for space—some 50 man-



NO WALTZ but instructor correcting golfer's follow-through. Plastic canopy keeps balls in bounds.

BOUNCING spectator tries trampolin under critical eye of an Army instructor.





FISHING HOLE in mid-city attracts young devotees of the fly rod. For 75¢, visitors were allowed five minutes at this well-stocked trout pool.





EXPERT tests the action of an expensive bamboo fly rod at one of the demonstration pools.

HOPEFUL trout fisherman begins to face up to grim fact that fish had stopped biting.



FLY TYING must be artful if fish are to be fooled. Man (above) is tying a Royal Coachman.

ufacturers of fishing tackle alone put their money on the line, along with a wide variety of other venders of recreation gear. And the crowds have been flocking in all week.

According to the National Sporting Goods Assn., sales of sporting equipment (including marine goods) have risen steadily since 1948 at an average 5% annual increase. Retail sales topped \$2-billion last year (or \$14-billion if you want to rule out marine goods), and this January was better than a year previous.

• TV Helps-This growth, of course, reflects the presence of more people with more leisure time and more money

to spend on it. But men in the trade see other reasons for it, too:

"The mood of the public is toward the outdoors," says a New York sporting goods wholesaler. "It's a trend toward physical activity and away from indoor mental activity and hobbies. Our business is headed up maybe 20% over last year."

"TV has taken people outdoors," says a Midwest manufacturer of equipment. "That sounds strange, but it's not. TV gets people more interested in physical things, takes 'em away from intellectual things. People are restless these days, and physical sweat is the only way to get rid of it."
 "There's more emphasis on intra-

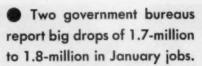
 "There's more emphasis on intramural sports in schools these days and less on varsity sports," another businessman says. "That gets more kids into active participation."

Others in the business speak of the influence of suburban living, the craze for outdoor cooking, growth of industrial recreation, popularity of boating, skin-diving, and water-skiing.

"And Pres. Eisenhower's golfing is a booster for us, too," says a sports retailer. "You'd be surprised at the influence it has had among middle-aged people."

 Riding the Trend-Exhibits at the New York show-which is only one of many around the country-demonstrate the sporting goods industry's quick acceptance of popular new materials and finance plans.

Fiberglas, for example, is widely used now in fishing rods as well as in boats. And many companies offer layaway plans and installment payments on bigtag items. The swimming pool industry, making a play for the upper middle income group, expects about 40% of its new pools to be financed this year.



But there's no agreement whether it's just a seasonal dip, or a warning signal.

Government analysts say it's mostly seasonal; yet there's concern over halt in job growth, drop in hours worked.

 So, until next monthly estimates give clearer view . . .

# Drop in

N AN ALREADY misty business climate, employment statistics are adding tinges of doubt and conjecture all their own.

Two government bureaus report drops in January employment—1.7-million according to the Čensus Bureau, and 1.8-million according to the Bureau of Labor Statistics.

The meaning of this decline is still being debated. It could mean a general easing of the labor supply is in prospect, and perhaps a downturn in business. Or—as government analysts insist—it may be mostly a seasonal trend. The debate can't be settled one way or another until the next set of estimates is released, sometime around Mar. 10.

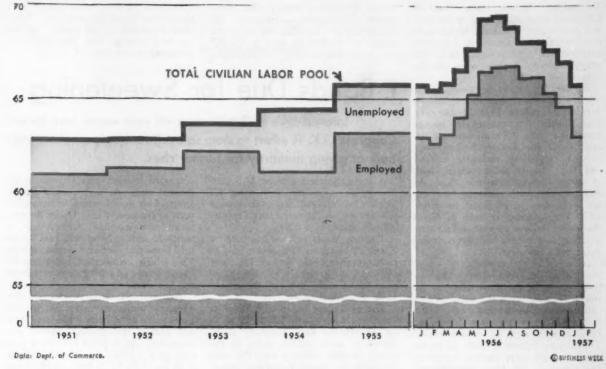
• Signposts—But for the businessman trying to assess the future, some facts are already clear:

• The extremely rapid expansion in the number of jobs that characterized the 1954-56 boom has been slowing down since the middle of 1956. In January, it came to a complete halt—at least as far as the over-all national picture is concerned.

 This means seasonal factors are more apparent than during the great buildup. In one set of figures—those gathered by the Bureau of Labor Statistics—the January dip can be explained entirely as a normal seasonal contraction. In the other set—that of the Cen-



BOWMEN from the crowd pay 25¢ for eight arrows at this 20-target archery range. All get instruction, and some pay extra for advanced individual lessons.



# **Employment Baffles Even Experts**

sus Bureau—the dip is more than seasonal by some 350,000; yet even this may result from special features of the count.

 Nevertheless, there are warning signals that bear watching over the next few months. One is a decline, nationally, in the number of hours worked in factories, a development that in the past sometimes signaled a general business softening.

 Two Measures—There's an added element of confusion in the fact that the employment drop reported by Census, though smaller, is considered more than seasonal, while the bigger BLS drop isn't.

Actually, the two sets of figures measure two different things, and usually vary widely. Roughly speaking, for example, Census counts people at work; so that someone who no longer has his extra Christmas job is still counted at work at his regular job. But BLS counts jobs; so an extra Christmas job that's gone in January shows up as missing in the BLS January count.

But even the more-than-seasonal dip in the Census Bureau figures may be caused by special problems inherent in the house-to-house survey on which Census bases its estimates, rather than by a significant weakening of the employment picture.

· Regional Variations-Some support

for this view emerges from some reports received by BUSINESS WEEK reporters in a check of key regional and state employment services. Michigan, for example, reports an employment increase of nearly 200,000 between Dec. 15 and Jan. 15—most of it in the service trades.

In Los Angeles, January employment was exceeded only by previous peaks set in the last three months of 1956; San Francisco's was the highest ever for January. Philadelphia employment in January topped the 1956 month, and unemployment was down—but nonmanufacturing employment had fallen since November. In Boston, total employment was at the highest mid-January level in six years—but unemployment in many Massachusetts areas was also at a two-year high.

Chicago, however, saw a bad sign in more-than-seasonal dips in some manufacturing lines—primary metals, machinery, food, apparel, chemicals, and leather—though there was less over-all unemployment than a year ago.

• Warning Signals—Nationally, the work week dropped from 41.0 hours in December to 40.2 hours in January, largely due to reduced overtime. Textiles, apparel, petroleum, transportation equipment, fabricated metals, and furniture reported cutbacks that exceeded normal for January. Along with hours, the weekly pay was reduced by an aver-

age of \$1.64; every type of industry except ordnance and leather reported pay losses.

Here, too, there were some regional variations. Michigan manufacturers, for example, were reported scheduling overtime to achieve production goals.

Also significant is the fact that the number of jobless married men has been rising steadily in recent months. Housewives or teenagers may leave the labor force by the hundreds of thousands, with no particular economic significance attached. But when married men can't get work, real trouble may be blowing up. Last October, with uncomployment at a seasonal low, only 600,000 family breadwinners were unemployed. Now they number 1.1-million—or 3.1% of their total in the labor force.

• Bright Spots—None of this ruffles the good cheer of official government spokesmen. They find a number of bright spots: Non-farm employment is still the highest ever, a rise of 500,000 in unemployment is well within normal seasonal changes, and factory earnings are still substantially higher than a year ago. In the main, however, their optimism stems from a conviction that the dips are chiefly seasonal.

 Margin of Error-Part of the drop in the Census figure, they believe, was caused by the timing of the survey in

December. It was taken closer to Christmas than any survey in the past, and presumably reported a higher-thanusual number of persons in temporary employment. This would make the after-Christmas decline seem sharper

than in other years.

In addition there is always some doubt about the Census survey, because it is based on about 25,000 house calls, and therefore is subject to normal sampling errors. Technicians are un-casy about the January findings-particularly regarding domestic workers and the casually self-employed, both of which showed relatively sharp declines. Bad weather during the survey week may have caused an abnormally large number of each to report themselves as unemployed, where actually they may merely have been staying home for a few days.

A decline in agricultural employment reported in the Census survey may also turn out to be an abnormality in the count. For 50 years, the trend of agricultural employment has been down, but for the past two years Census has been reporting it as almost stable. Technicians believe a shift in survey methods may have caused temporary over-reporting of farm employment. What appears to be a 700,000 drop this January compared to a year ago may actually be merely a return to more accurate estimates.

· Hard and Fast-Because the Bureau of Labor Statistics figures are based directly on payroll reports by employers, they are not subject to any of these technical miseries. And they are not nearly as baffling, so far as the January

dip is concerned.

Manufacturing employment did drop 200,000, and that's somewhat more than seasonal. Dips in food processing and lumber were no more than is to be expected in January, but cuts in apparel, radio and TV, furniture, and fabricated metal ran a little stronger than usual.

· Forecast Trouble-Confusion over January highlights a fact about employment trends that is becoming increasingly apparent: While it is possible for technicians to project extremely accurate trends over a number of years, it is impossible to foretell what will

happen at any given time.

Up to January, the economy was on the crest of two abnormally large increases in the work force-1.1-million in 1955, and a resounding 1.5-million last year. A drop-off this year would not surprise the experts-in fact, it would be in keeping with the erratic year-to-year growth of employment since World War II avoid.

Women are the chief reason for the roller-coaster nature of employment statistics. If jobs get a little scarce, they go back to housework, and do not

count themselves among the unemployed. This happened in January. The 1.7-million or 1.8-million decline in employment resulted in only a 500,000 rise in unemployment; the remaining 1.2-million or so persons simply took themselves out of the labor force. More than two-thirds of the January decline involved women, and the rest were teenagers or men over 65.

# E Bonds Due for Sweetening

Interest hike to 31/4 % over-all rate seems sure to win Congress O.K. in effort to stem sales slide; but lawmakers may balk at giving authority for further rises.

A higher interest rate on U.S. savings bonds seems to be heading for quick Congressional approval, though possibly not on the terms that Treasury officials asked.

Treasury wants to raise the rate on E and H bonds to 31% when held to maturity-that would be ‡ of 1% more than at present. But it is asking Congress for authority to go all the way to 41% if justified in the future.

The 41% limit has existed for other Treasury issues since World War I, on the theory that flexibility is re-quired to meet sudden shifts in the money market. Officials want the same flexibility in respect to savings bonds, but some lawmakers may balk. The objectors point out that interest rates on savings bonds would be changed much more rarely than on issues offered in the open market.

Lawmakers may seize on this as an excuse to approve only the single increase to 31%, thus forcing administrators to come back to Congress if they want to raise rates again in the

· Meeting Competition-The Treasury's decision to approve 31% comes in the wake of rapidly declining E and H bond sales last month. Sales began to fall off in the latter part of 1956 as savings and loan associations, savings banks, and commercial banks began sweetening their rates to savers.

Redemptions have been also increasing (BW-Feb.9'57,p194) and have been running ahead of sales. In the first 12 days of this month, the total of savings bonds cashed in exceeded sales

by \$289-million.

Officials argue that 31% will merely restore savings bonds to the same position they occupied in the savings field prior to the recent round of increases by private institutions.

· Proposal-Under the Treasury plan, the higher rates would be paid on all bonds sold after Feb. 1 this year (on an E bond the interest isn't actually paid until it's cashed, and on an H bond the first payment is six months after purchase).

The full 31% would be paid only if

the bond is held to maturity-eight vears 11 months for the new E bonds. compared to nine years 11 months for the old ones. As with present bonds, lower vields would prevail in the earlier years of the bond's life. Under the pro-posed new schedule, for example, a Series E savings bond will have to be held three years before it begins earning 3%, which commercial banks are allowed to pay on savings accounts from the first day.

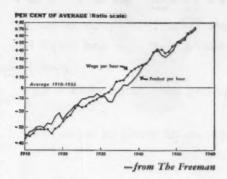
However, the biggest increases the Treasury wants to make are in the early years of a bond's life, and this will narrow the existing interest gap somewhat. An E bond held for a year now pays 1.59%; the Treasury wants it to pay 2.26%. A two-year-old bond now pays 2.1%; Treasury wants to give

· Preventing Swaps-A major worry with officials was how to increase the rate schedule without causing a rush of redemptions by present holders anxious to shift to the new bonds. The answer, they feel, is in the progressively higher rates earned each year a bond is held. An existing bond two and a half years old, for example, will pay its holder more than he would get at first if he. switched to a new one. Even with existing bonds held no longer than six months, the advantage to be gained by swapping is only a few cents.

· Other Changes-As part of the general overhaul of savings bonds, Treasurv-by administrative action-is reducing the ceiling on the amount of E and H bonds an individual may purchase in a year from \$20,000 to \$10,000. It is also killing the J and K series. J's and K's were designed during World War II to attract big investors into the savings bond program by offering largedenomination bonds with the same guaranteed interest rate and freedom from market fluctuations that were offered small individual investors through the E's and H's.

· Hope-Last year, some 10-million families bought \$4.1-billion worth of savings bonds, mostly through payroll deductions. There are now more than \$38-billion E's outstanding, and \$3.4billion worth of H's. If Congress approves the higher rate-as expectedofficials think these totals will start

rising again.



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# Tax Borrowing Set for a Jump

- Survey shows more corporations plan to go to banks for March tax money than a year ago, and they'll be needing bigger sums.
- There's still a surprising percentage which is satisfied with their cash position.
- But if loan demand runs as strong as seems likely, credit will again be tight as a drum.

Corporate demand for bank credit, which hits a seasonal lag just after the turn of the year, normally starts a seasonal upturn with the approach of the March tax date. This year, the dip in demand was more than seasonal (BW-Feb.16'57,p27).

It now appears that the upturn in

It now appears that the upturn in tax borrowing will also exceed the normal seasonal swing. If it does, then the squeeze on money that relaxed a little around the start of the year is going to be renewed with a vengeance.

The prospect of heavy borrowing around tax time emerges clearly from a nationwide survey of well over 100 corporations made this week by BUSINESS WEEK reporters. It showed that the Federal Reserve's tight credit policy would send an increasing number of corporate treasurers into the banks for the funds to pay taxes.

If credit demand runs as strong as the survey indicates, then credit—which has loosened somewhat from the extreme stringency that developed during December—will once again be tight as a drum. The Washington money managers are prepared to accommodate ordinary seasonal demand, but if demand turns out to be greater than the amount they supply, then a new squeeze can develop.

• Intentions—The survey did not attempt to forecast the specific level of tax borrowing this March. What it reported was the intention to borrow. And it came up with these results:

 A majority—almost two-thirds—say that they have never borrowed for the purpose of paying taxes and do not plan any borrowings now. But more than half say they expect to be borrowing for other reasons, although not necessarily in the next few months.

 Of the third who say they have ever borrowed for taxes in the past, a good majority—two-thirds of this group state that they plan to borrow this March. By comparison, only half of the same group report they borrowed for taxes in the same period a year ago.

 Just under half of the companies that borrowed last year and are planning to borrow again declare that this year's needs are higher than last year. Only one-eighth of the group report that they will be needing a smaller amount of credit.

Despite tight credit, every company queried expressed confidence of being able to borrow if it became necessary—but almost all expected to pay higher rates than they did last year, ranging from \$\frac{1}{2}\$ of \$1\%\$ to \$1\frac{1}{2}\%\$ higher.
 A Year Ago, and Now—One sign

that real stringency may develop is that only a few companies caught short last March report that they are now out of the woods. There are many more instances of companies that got by last year's tax date without help but are now forced to borrow.

However, some of the corporations that borrowed heavily last year insist that they are in better shape than they were a year ago. And even those that aren't, at least have had ample warning of what's ahead.

Last year, many corporations had pared working capital, and had even eaten up funds set aside to pay taxes, in order to build inventories and get started on expansion projects. By the time the March tax date came around, they lacked funds. This cash hunger was so widespread that it resulted in a virtual stampede on the banks. And the Fed promptly intensified its restrictive policy (BW-Apr.7'56,p23).

Many companies caught in the crush sought to avoid a similar tangle this year by planning more carefully. Some say that as a result they now have sufficient funds; they have managed to cut inventories or have protected themselves by carefully putting aside money for taxes in tax anticipation notes and commercial paper. A number of others report being in a more comfortable position because they raised money through the banks or capital market in the last 12 months. This is, of course, a form of borrowing for taxes, but at least they have averted a last-minute rush as the tax deadline approaches.

 Satisfied—A surprising percentage of companies—more than half of those surveyed—report that they are satisfied with their cash position. The question turned up a number of vigorous dissenters like the Texas manufacturer who scoffed that "no one is ever satisfied" with the level of cash on hand. But some companies managed to improve their liquid assets, and more than two-fifths of those covered in the survey say their present position is as good as it was a year ago.

• Six of One...—The fact that so large a number are satisfied with their liquidity may keep borrowing down somewhat. However, those companies normally borrowing for taxes will not change this habit because of a better cash position. For example, a Pittsburgh manufacturer feels that if it does not borrow for taxes, it will have to do so to replenish working capital. A similar view comes from the treasurer of a New York firm, who says, "It makes no difference whether it is for taxes or working capital. We have to borrow."

We have to borrow."

This was one of the difficulties in the survey. Some companies frankly admit that though they never borrow directly for tax purposes, they often use a portion of their loans to pay off taxes. Other companies are more guarded. For instance, of 18 firms queried in the Boston area, only three report that they are specifically borrowing to meet tax payments. One other declares that it is arranging a loan to meet general ex-penses, including taxes. Two more, which have had tax borrowings in the past, do not need bank credit now. The remaining 12 companies report that they never borrow for tax purposes, but may for other reasons.

 Possibilities—Most companies that are planning to borrow say they will repay their loans in quick order. Thus, March could produce a sudden jump in borrowing, followed by an increase

in repayments.

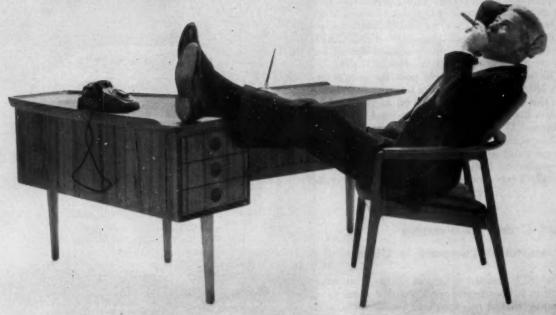
Here's one good indication that companies are more aware of their problems than they were a year ago—the fact that the current survey brought out very few cases of indecision. Most firms know just where they stand and what they plan to do. Only a handful report walking a tightrope, saying they hope to get by without borrowing, but aren't sure that they can stretch the available cash to make this possible.

Some companies, looking past March, are already worried about June taxes. In the Los Angeles area, a number that have never borrowed for taxes before, say they can get through March. But if the squeeze on money continues, they think they will have to go to the banks when the time for June tax payments

comes around.

# Want more time to think?





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# In Business

# Texas Yields to the U.S., Boosts Oil Allowable to Meet Europe's Need

The Texas Railroad Commission this week gave the federal government about what it wanted: a record boost in the March oil allowable, raising production to a level that can slake Europe's critical Suez-born shortage.

The move came after the 500,000-bbl.-a-day plan to help Europe had bogged down (BW-Feb.2'57,p29), and Pres. Eisenhower had publicly scolded the oil industry for not producing more (BW-Feb.16'57,p38).

The new Texas allowable goes the whole way. It adds 210,901 bbl. a day to the limit set in February. It does this by putting production on an 18-day basis; most insiders had not expected the Railroad Commission to go beyond 17 days.

This means that the Office of Defense Mobilization will get about what it had been asking—a 300,000-bbl.aday production boost from the entire U.S. industry, for normally Texas produces about 45% of U.S. crude.

### Court Orders Receivership For Insurance Company in Dallas

The ICT Insurance Co., of Dallas, this week was placed in temporary receivership after it failed to contest a finding that it was insolvent, based on a probe by representatives of 25 states where the company sells policies. District Judge Charles O. Betts in Austin rejected a company plea for a 10-day stay in the revocation of its license to operate in order to unscramble its affairs.

ICT Insurance Co.—its name was originally Insurance Co. of Texas, hence the initials—is a fire and casualty company. Most of its 15,000 stockholders are labor people, and it had the blessing of the Texas State Federation of Labor.

Atty. Gen. Will Wilson of Texas told the court that, "there is competent evidence to support the allegations that said ICT Insurance Co. is insolvent, with a deficit surplus of \$4,460,243."

# Integrated Community for Scientists Begins to Sprout Near New York City

An unusual, integrated scientific community began to take shape this week. Union Carbide & Carbon Corp. announced it would build a nuclear research center in Sterling Forest, N. Y., a 17,000-acre plot near Tuxedo, 40 miles from New York City.

Sterling Forest is owned by City Investing Co., which has been planning the community for the last four years. The real estate company is currently negotiating with "three or four other fine concerns" similar to Union

Carbide for additional leases. Besides laboratories, the community will have homes, stores, and recreational facilities, which will fit into a master plan.

Union Carbide's development is expected to cost between \$6-million and \$8-million. It should be completed either late in 1958 or early 1959.

Other building projects: A 50-million-lb-a-year cellophane plant is planned by the du Pont Co. on a 600-acre tract near Topeka. . . . Montecatini Co., the Italian combine, is thinking of building a chemical plant somewhere in the U.S. . . . Western Electric Co., the manufacturing arm of AT&T, plans a \$50-million switching equipment plant at Columbus, Ohio. . . . Ford Motor Co. has a \$6.7-million, two-year modernization program for its Highland Park (Mich.) plant.

### 1956's Climb in Mergers Paced By Retailing and Wholesaling

The corporate urge to merge grew stronger in 1956. The Federal Trade Commission's annual summary revealed this week that there were 905 important mergers during the year, compared with 846 in 1955.

Of the total, 638—or 71%—were in manufacturing and mining—a slight drop from the 689 the year before. Retailing and wholesaling really stepped up the pace, with 148 mergers last year, against 1955's modest 83. Among the major industrial classifications, electrical machinery climbed to 70 from 53; chemicals inched to 55 from 52.

#### **Business Briefs**

The Small Business Administration reports a step-up in earmarking contracts. The agency says 1,303 contracts worth \$48.2-million were awarded to small business this January, compared with 570 contracts, worth \$19.6-million, in the year-before month.

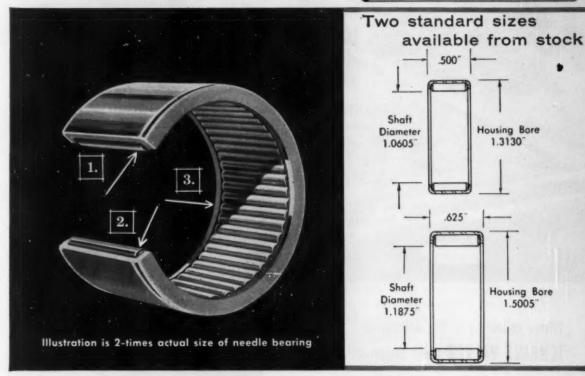
Paul C. Smith has resigned as chairman and president of Crowell-Collier Publishing Co. The one-time boy wonder of journalism (San Francisco Chronicle) said he disagreed with company policies after the folding of the American Magazine, Woman's Home Companion, and Collier's (BW-Jan.18'57,p88).

Steel scrap exports have been frozen at existing levels while the Commerce Dept. wrestles with the problem of record foreign demand. Commerce this week rejected a Japanese request for more; it fears a shortage of heavy melting grade iron and steel scrap if demand at home and abroad remains high.

Economic indicators: The Commerce Dept. says gross national product climbed to \$412.4-billion last year; about half the 5½% increase over 1955 was ascribed to higher prices. . . . And in January, the Bureau of Labor Statistics' monthly cost-of-living index climbed to 118.2% of 1947-1949 prices, up from December's 118%. The rise means a 1¢-an-hour pay boost for over 1-million workers, mostly in UAW.

# NEW

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# These new thin-shell bearings were developed with the co-operation of the FORD MOTOR COMPANY for use in FORD-O-MATIC and MERC-O-MATIC automatic transmissions

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# For Sikorsky's new 18-acre plant . .





Where reliability is the watchword JENKINS VALVES were selected

Reliability has characterized Sikorsky Helicopters throughout a long record of military and commercial service. A watchword in the building of these versatile airplanes, *reliability* also was made the critical measure of all equipment for the 18-acre Sikorsky plant recently completed in Stratford, Conn.

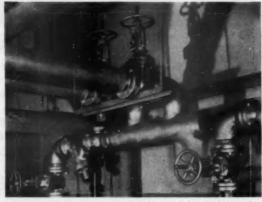
On the valves to control much of the complex network of pipelines, management, architects, engineers and contractors found it easy to agree. From long experience on many jobs all could be sure of the reliability of Jenkins Valves.

This confidence in the specification "Jenkins", has been shared by building experts and plant operating men alike for 93 years. The valves that have won this great confidence bear the Jenkins Diamond trademark . . . and they cost no more. Jenkins Bros., 100 Park Ave., New York 17.

Architects and Engineers: F. A. Fairbbother and George H. Miehls, Detroit: with Albert Kahn Associated Abchitects and Engineers, Detroit, as consultants.

General Contractor: B. & F. Construction Co., Bridgeport.

Mechanical Contractor: John Winkle, Inc., Larchmont, N. Y.



JENKINS VALVES shown controlling heating lines. Used throughout the Sikorsky plant on steam, water, air and process piping.



Sold Through Plumbing-Heating and Industrial Distributors

# WASHINGTON OUTLOOK

WASHINGTON BUREAU FEB. 23, 1957



Now is a good time to take note of the economy talk in Congress.

The House this week started acting on the long list of regular money bills for the departments and agencies—these bills carry the Eisenhower budget requests for fiscal 1958, the 12 months starting July 1. What Congress does with the budget will be a major influence on future business and taxes.

Congress is talking tough—threatening to slash a big chunk from Eisenhower's record \$72-billion peacetime budget. The question, of course, is whether final House and Senate actions come up to the talk.

There's pressure for cuts from the grass roots. Members of the House and Senate agree that "economy mail" from home is at an all-time high. Members are wondering whether they should vote for the increased spending Eisenhower recommended on the grounds that people want it, or whether they should heed the "cut spending" mail from home.

Taxes are involved. Nearly every letter received by congressmen makes the point that unless spending is held down, there will be little chance to cut present high tax rates in the future and maintain a balanced budget.

Why the flood of economy letters from home at this time? Washington has been open-handed with the public purse for years.

The mail offers some clues—shows why those who write would like to see government spending held down and shows why they wrote.

Many writers worry about inflation. They have insurance policies and retirement benefits that would be eaten into by rising prices. And they blame big government spending for the price uptrend.

Then there is the worry about a depression. Treasury Secy. Humphrey's comment that unless taxes and spending are cut there will be a depression that will "curl hair" left its mark. Many writers quote it.

And there are taxes. The writing public seems to agree that unless Washington can become less extravagant there's little hope of tax relief.

What will Congress do? Slash billions off the budget?

Odds are that any cuts will be minor. You don't have to look far for the reasons, even though they do seem to contradict the mail coming in.

Congress likes to spend. And it considers spending good politics. Members know that the write-in against big spending is unorganized and won't carry much weight at the polls next year.

Support for spending is well organized. On defense, for example, munitions-making industry and labor will be in there pitching—seeing to it that the Appropriations Committees have all the arguments. And the same goes for foreign aid. State Secy. Dulles, no matter how hard he is attacked for his policy handling, can count on big blocs of industry and labor to back his money programs in Congress.

When the spending outlook is all added up, with allowances for the various pressures, you come out with a figure very close to the one Eisenhower proposed last month. There may be a cut—as much as \$1-billion. But it will take leadership from the White House, itself, to bring a spending cut larger than this. Right now, there's no indication that Eisenhower will reverse the direction he charted in his budget message.

### WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU FEB. 23, 1957 Congress wants a tax cut next year. That's the next Congressional election contest—whether the Democrats hold control or the GOP takes over.

Neither party is very confident. Republicans note that the spending uptrend set by Eisenhower this year runs through next. Democrats are aware of this, too. And they can see that the proposed extra spending appeals to voters on a broad front—help for farmers, help for parents with children in school, help for auto owners who want better roads, help for the aged, and help for the sick.

Note the Mills scheme. Rep. Wilbur Mills is the ranking Democrat on the House Ways & Means Committee, which originates all tax legislation. Mills' idea is to plug what he considers tax loopholes—treatment of capital gains, the income from "depletion" resources, etc. The impression Mills tries to create is that this would pick up enough in additional revenue to cover a general tax cut. It just isn't so. Mills' ideas would increase revenue by only a few millions. Any worthwhile tax cut would cost \$2-billion to \$3-billion.

The key to a future tax cut is the business level. Here's how the insiders, in and out of the government, figure it:

Spending next year, the fiscal period starting July 1, is calculated at \$72-billion. That's for present and proposed programs.

Revenues will hit about \$73.6-billion. Collections at that level will assure a budget balance.

A business rise can set the stage for a tax cut. And that's what the Eisenhower Administration hopes for. If the indicated surplus a year from now is over \$2-billion, the White House will take the lead on tax cutting.

A new natural gas bill is in doubt. That is the legislation Eisenhower vetoed a year ago because of political contributions offered by some industry representatives to members of Congress. Eisenhower has indicated he would go along with the legislation to exempt local gas producers from rate regulation by the Federal Power Commission. But the row between Congress and the petroleum industry over prices and oil exports to Europe seems to have closed the door to any action at this time.

The Democrats are worried about their lack of Presidential timber. They are not too worried about next year, when control of the House and Senate will be at stake again. And most observers concede that the Democrats will at least hold their slender Congressional margins.

The big question mark is over 1960. Republicans have a "natural" in Vice-Pres. Nixon. And supporters are encouraged by what they interpret as deliberate efforts by Eisenhower to build up Nixon. Senate Minority Leader William Knowland, also from California, is considered Nixon's major challenger today. Knowland will run for governor in 1958. If he wins, he will be strong in 1960—controlling the second biggest delegation.

The Democrats can only guess. The names that come up are Sens. Albert Gore of Tennessee, John Kennedy of Massachusetts, and such retreads as Estes Kefauver and John Sparkman. There is some hope in the private campaign to build up Robert Meyner, the attractive, young New Jersey governor.

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- And a fifth unit is scheduled for completion in 1957.
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### MARKETING

### How 22 Top Whiskey Brands Lined Up in 1956

Sales (thousands of cases	Brand Name	Distiller	Type Whiskey	1
(BUSINESS WEEK Estimate)		Schweisy Motional Motion Brown Brown-Former Fibitchman	Blend Streight Blond & Streight Genedian Blend & Blend of Streights Rend & Streight	Performance Last Year
7000-plus	Seagram's 7 Crown	•	•	Up slightly
2200-2800	Imperial Calvert Reserve Old Crow Schenley Reserve			Up slightly Off slightly Up sharply Off slightly
1700-2200	Seagram's VO Canadian Club Corby's			Up moderately Up moderately About same
1200-1700	Early Times  Jim Beam  Old Sunny Brook  Ancient Age			Up moderately Up sharply About same Up sharply
1000-1200	P.M.  Carstair's  Four Roses			About even Up slightly Off slightly
750-1000	Old Stagg Fleischmann Preferred Paul Jones Hill & Hill Old Hickory Echo Spring J. W. Dant			Up slightly Up slightly Off moderately About same Up moderately Up slightly Up slightly

### Straights and Vodka Made Biggest Gains

(Percent of Total Liquor Consumption)

Type	1956*	1955	1949
Blends	38.6%	40.2%	66.2%
Straights	22.8	22,2	8.7
Bonds	6.0	6.5	5.4
Scotch	6.2	6.2	4.4
Canadian	4.9	4.6	2.7
Other	0.3	0.3	0.4
Total Whiskey	78.8%	80.0%	82.6%

Туре	1956*	1955	1949
Gin	9.2%	9.8%	7.1%
Vodka	4.9	3.1	0.0
Cordials	3.2	3.1	2.2
Brandy	2.2	2.1	1.3 .
Rum	1.3	1.4	1.3
Other	0.4	0.5	0.3
Total			
Non-Whiskey	21.2%	20.0%	12.2%
			* Estimo

# Another Upward Push for Liquor

For the U.S. liquor industry, last year chiefly added further heartening proof that the industry is on the upswing. Preliminary figures show that

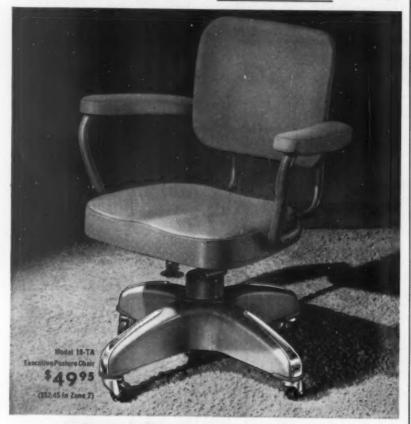
million wine gallons last year, for a healthy 8% gain over 1955.

sales of liquor drove up to some 216- light of these facts about sales in recent years.

In 1946, with postwar savings high These figures look even better in the and few consumer goods available, buy-

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	Also, free trial on Secretarial Chair Conference Chair 23-L General Chair Full information on COSCO Chairs COSCO Business Furniture	
	Firm.	Model 2 General C
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ĺ	Address	\\$17.90 IN £00
	Also available in Canada, Alaska and Hawaii through authorized COSCO dealers.	IZone 2—Texo



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ers pushed total liquor sales up to a record 231-million gal. But the next year, sales fell, and between 1947 and 1954 they jiggled up and down a bit, averaging 184-million gal. per year for the eight-year period.

In 1955 the trend started upward again, with an annual volume that year of about 200-million gal. Liquor people viewed this as a record "normal" year, hoped it was a turning point toward really substantial gains. Last year's performance has given considerable lift to those hopes.

• Booster Shot—The industry, however, attributes last year's sales jump partly to the general hike in prices announced during November and December. Wholesalers and retailers bought heavily in advance of these increases, and to some extent the consumer followed suit. Though it's difficult to gauge how much this advance buying accounts for the over-all increase, one industry estimate puts its boost to sales at about 6-million gal.

The spurt of buying will affect this year's sales record, because of the heavy inventory carry-overs. The industry target figure for 1957 is 225-million gal., but in view of the inventory situation, most liquor people would be satisfied with sales of 216-million to 220-million gal. this year.

• Gains for Most—The substantial over-all increase in consumption last year helped most of the top brands (chart, page 49). Of the 22 brands on the list, 13 registered gains over 1955.

A closer look at the sales performances of various brands tells a lot about what happened in the liquor industry last year.

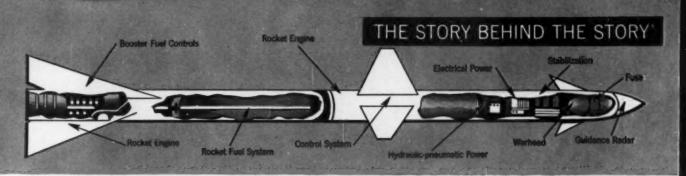
• Straights Lead—It was still a year for straight whiskeys. The big gains were garnered by such brands of straights as National Distiller's Old Crow, which has had one of the most rapid rises of any brand during the past three or four years, James B. Beam Distilling Co.'s Jim Beam, Schenley's Ancient Age, Brown-Forman's Early Times, and Publicker Industries' Old Hickory. Other straight brands, such as Schenley's Old Stagg, Echo Spring, and J. W. Dant did better than in 1955.

These and similar labels gave another forward push to the trend toward increased consumption of straights that has marked the industry's development for the past several years. This category of whiskey now accounts for 22.8% of all liquor consumed—up from 8.7% in 1949. Last year saw gallonage of straights rise to 4.9 million gallonage.

straights rise to 4.9-million gal.

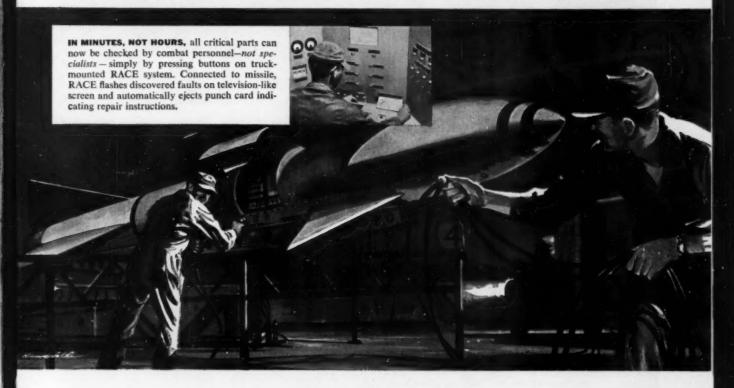
• Going Straight—The shift of the consumer to more straight whiskey in his drinks has been attributed to a change in taste and to a general "upgrading" that has led to buying more expensive whiskey.

An industry expert adds another ex-



THOUSANDS OF "FAULTS" can develop in a guided missile, each capable of causing it to misfire or swerve off-course. Pre-launching

check-out takes specialized technicians many hours. Under stress of enemy attack, a small but fatal defect might be missed.



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AUTHORITY ON PACKAGING - SANDUSKY, OHIO 14 FACTORIES - 42 SALES OFFICES planation. His theory is that just after the war, some distillers were holding big stocks of straight whiskey. At the same time, the big blend distillers, long accustomed to taking the biggest slice of the market, were slow in their promotions. This gave the straight people a chance to move in with heavy promotions and sales efforts—and these have paid off in higher sales of straight brands.

• Market Tactics—Whatever the reasons, the undeniable growth of straight whiskey continued to affect companies' marketing efforts last year. National reaped the biggest benefits from its Old Crow, also sold as a bond, and held to its tactics of putting out the same label as a straight, blend, or bond, depending upon the requirements of the market. Schenley, too, kept a solid line-up of straights on the market, and had conspicuous success with its Ancient Age.

Giant Distillers Corp.—Seagrams, Ltd. selling in the U.S. through its subsidiary, Joseph E. Seagram & Sons, for years had placed its bets on blends; but now it, too, has been entering markets with brands of straights. With its backing, this year may see the blend-of-straights category gain in importance.

In 1955, Seagram brought out a blend of straight bourbons under its familiar Four Roses label, for sale in the South. The company says the straight Four Roses is doing well in those markets. It has another blend of straights, Pedigree, a higher price brand, selling in Texas, and plans to extend it to other parts of the South this year.

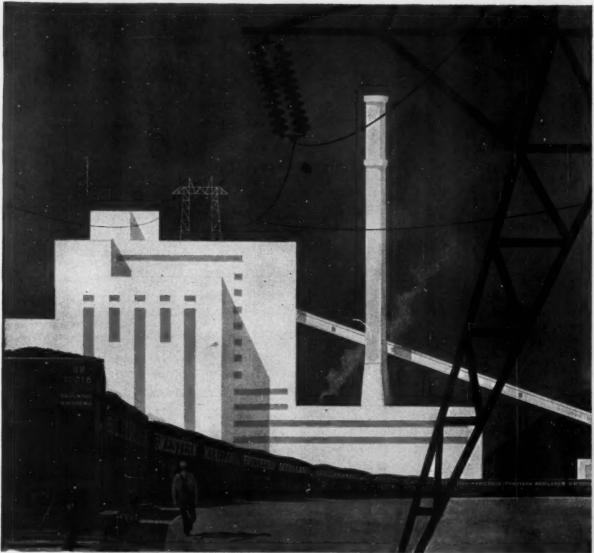
In addition, Seagram is hitting the middle price bracket with another blend of straights, Hunter, to sell in selected markets.

Hiram Walker-Gooderham & Worts, Ltd., another house with a lot of blends to sell, is also pushing 10 High, a middle price bourbon. Walker says this

brand is moving up fast.

• Secure Spot—Activity like this shows that straights are finding a secure place as an important element of the liquor industry. Just where they will level off is anybody's guess. Brown-Forman Distillers Corp., a leading independent, whose Early Times brand of straight is a big seller in that category, doesn't see any signs of leveling off yet. It thinks straights would have had a better relative position last year, except that most of the stocking up in advance of the price hikes was in blends, where the first higher price announcements came.

 Blends—Sparked by the general rise in consumption, brands of blends, which still account for 38.6% of total liquor consumption, did not fall off so much as in 1955. Seagram's 7 Crown, the perennial market leader, held its big margin, and even scored a sales advance in the face of the general de-



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cline of blends. Seagram's 7 Crown had been down in 1955, along with another Seagram blend, Carstairs, which last year was up slightly.

Two brands that just held their own in 1955, Hiram Walker's Imperial, and Fleischmann Distilling Corp.'s Fleischmann's Preferred, were up last year. Chief losers among blends last year were Seagram's Calvert Reserve and Paul Jones, and Schenley's Schenley Reserve.

• Imports—In addition to straights, two brands of Canadian whiskey high on the list, Seagram's V.O. and Walker's Canadian Club, scored healthy sales gains. This reflects a growing taste among consumers for imported liquors, notably Canadian as well as Scotch. Last year, sales of Canadian whiskey increased roughly 10% over 1955, and Scotch increased about 8%. Schenley's O.F.C. shows promise of emerging as a third important brand in the Canadian category this year.

One liquor authority says that in view of the demand for these two types of whiskey outside of their traditional strongholds in major U.S. cities, they could be classed as national products, if supplies were adequate. The industry views the growth of imported liquor as another evidence of the consumer's trading up.

• Suburban Hospitality—Another significant consumer trend at work last year was what one liquor marketing man called "diversification"—the tendency among consumers to buy a greater variety of liquors. He attributes this to changes in living habits, particularly the rise of suburban living with its consequent increase in entertaining at home.

The suburbanite, a homeowner with more money in his pockets, wants to be a good host and serve every guest his or her preference. This means having a wider selection of liquors on hand—such things as gin, vodka, or cordials—as well as the standard bottle of whiskey.

• Vodka's Push—This fact helps account for the steady shift in non-whiskey's share of total liquor consumption, which has grown from roughly 12% in 1949 to 21% last year. Heading the list is vodka, which has had sensational success (BW—Jun. 9'56,p65).

Vodka consumption last year reached 11-million wine gallons, up some 70% over 1955. And in spite of competition from big distillers jumping into the vodka market, Heublein's Smirnoff brand of vodka held its market lead with sales of between 1.5-million and 1.7-million cases.

Despite vodka's onslaught, however, gin stood its ground pretty well, at roughly 20-million gal. last year, about the same as the year before. END



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The giant food chains used to be the stronghold of the "controlled" brands. Now the medium-sized chains are finding . . .

# A Place for the Private Label

Every one of the cheerful, neatly stacked piles of food on the retail grocer's shelves represents a victory in one of distribution's bitterest battles today. From the food manufacturer's viewpoint, it's a battle for shelf space. From the retailer's view, it's a battle not only for sales but for profits.

For decades, the private or controlled label has been a factor in that battle. Originally the stock in trade of the big chain, the private label is spreading to smaller operations. M. M. Zimmerman, reditor of Super Market Merchandising, reported a year ago that studies showed that 80% of the smaller stores surveyed

stocked more private labels than they

had carried five years back.

For some years now, Topco Associates, Inc., of Chicago, has been quietly abetting this trend. This is a nonprofit organization, owned by its member chains, to give the medium-sized chain the buying power and techniques that will enable it to sell a quality private brand.

 Departure—Cooperative ventures at the wholesale or retail level are by no means rare. In some respects, though, Topco represents a departure. Its mem bers are not small operators. Spearhead in its formation was Samuel Cooke. president of flourishing Penn Fruit Co. (BW-Dec.24'55,p45). Other members include divisions of ACF-Wrigley Stores, Alpha Beta Food Markets, Weingarten, Inc., Frankford Grocery Co., Star Markets, Inc., and one department store, Wieboldt Stores in Chicago (picture). Participating chains must do a business of at least \$10-million to qualify; some go as high as \$150-million. Topco's 27 member owners today show a pooled strength of approximately \$1.2-billion in total retail sales.

Each member buys \$5,000 worth of common stock, and preferred stock that



"GEIGER COUNTER for \$98.50 caused buying rushes and regular use of Air Express," says the President of The Detectron Corp., J. L. Cassingham.



"GUIDED MISSILE PARTS always meet military schedules – thanks to Air Express," says Vincent Sillitta, Traffic Manager, Clarostat Mfg. Co., Inc.



"THUNDERBIRD preview color prints get delivered on time by Air Express," says Joseph H. Snyder, President, Color Corp. of America.



"BUYING RUSHES on top-fashion bathing suits are always met by sure Air Express delivery," says Board Chairman of Catalina, Inc., A. Louis Oresman.

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"NEVER LOST A SHIRT YET because Air Express carries our samples country-wide," says the President of Manhattan Shirt Co., Sylvan Geismar.



"MILLION DOLLAR MENU, possible because Air Express carries our Chinese food samples nationwide," says Jeno Paulucci, President of Chun King Sales, Inc.



"TOURNAMENT CLUBS arrive on time anywhere in the U. S. A. when sent Air Express," says Henry P. Cowen, President, MacGregor Golf Co.



"WE STOP BURGLARS, shipping parts for our alarm systems Air Express," says J. B. Rustic, General Superintendent, American District Telegraph Co.

radio-equipped trucks for pick-up and delivery — cutting time by more than balf in many markets.

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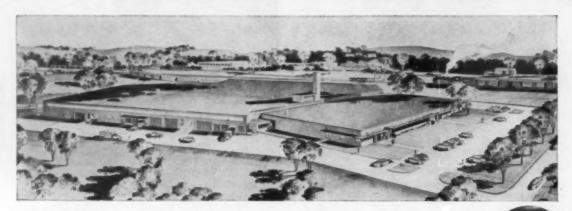
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Sidles Company, with 250 employees in its Omaha plant and 250 in 33 branches in Nebraska, Iowa and Kansas, maintains a perpetual inventory of 100,000 different items, including automotive parts, appliances and air conditioning components. In addition to the company's branches, it does business with 10,000 dealers. Harry B. Sidles, President, is enthusiastic about the ways in which xerography has speeded paperwork and reduced duplicating costs.

500 Copies Each of 27 Pages in 4 Hours: "A typical example of how valuable xerography is to us can be pointed up by the matter of the excise tax on tires. Naturally, if this informa-

tion is not distributed immediately to the field—neither the salesman, nor the branches can properly quote to a customer. When a change occurs—and we have had them as late as 2:30 in the afternoon—we make our revised 27 page lists—have them ready by 5:00 P.M.—and, using masters prepared by xerography, have multiple copies in the mail by 6:00 P.M.!"

75% Reduction in Time: "From an overall view, copying by xerography reduced our processing time a full 75% in getting out multiple copies of our automotive catalogue, fly sheets for automotive price lists; 4 and 5-page record lists; air conditioning parts and price lists, etc.

WRITE for "proof-of-performance" folders showing how xerography is saving time and thousands of dollars for companies of all types, large and small.

THE HALOID COMPANY 57-8X Haloid Street, Rochester 3, N. Y. Branch offices in principal U.S. cities and Toronto "Formerly, we had to send our plating work out when halftones were involved. Each metal plate cost us \$6.00. Now, with xerography, 99% of our paperwork is duplicated from paper masters which cost us only pennies in comparison to the other method.

"But efficiency, speed of operation, and reduction of duplicating costs are not the only advantages we have gained from the equipment," stated Mrs. Thelma D. Moore, Manager of the Production Department, "basically it saves the Sidles Company thousands of dollars a year having new prices listed the same day they are quoted and the lists out that same night. It is xerography which makes this rapid operation possible."

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of masters—paper, metal, spirit, translucent—for duplicating • Copies line and halftone subjects.



varies with the member's retail sales. The association does not buy the food outright, but acts as buying agent, collects a fee of 1% of retail sales to Topco brands to pay for its operations. If it makes a profit, the member chains collect; of it shows a deficit (it hasn't, in recent years), the members have to pay.

· Premium Market-Many private labels sell primarily on price. Topco brands, too, aim to reach the priceconscious market. But they also shoot for the premium market. Topco offers two grades of food in both canned and frozen lines: The Food Club label is its top canned goods line; Top Frost is its top frozen food line. The economy brands are Elna for grocery products, Dartmouth for frozen foods. Topco's thinking is that overemphasis on price has hurt the prestige of many private labels. "We would rather set our prices on the high side at the start," explains a Topco official, "and give the retailer more room to drop his price if he has

· Bargaining Weapon-Topco can cite several good reasons for its existence. The medium-sized chain sometimes feels at a special disadvantage under the strictures of Robinson-Patman. This law limits a supplier's freedom to charge different prices to different customers. The medium chain cannot achieve the buying power of the national chain; on the other hand, it hasn't enough buying power to justify getting a much better price from a supplier than the small operator gets.

This means it is harder for the smaller chain to get a quality private brand at a price on which it can make a profit than it is for an A&P or Safeway or Kroger. And the profit margin on a private label can be substantially higher -in some goods, at least-than the profit of the heavily advertised national brands. This is no small consideration in a business where profits before taxes run around 2.5% of sales.

The private label, too, sometimes serves as a bargaining weapon for the retailer in dealing with the brand manufacturers. Some trade observers note that stores with private labels often have better relations with the big food companies than stores without this advantage.

· No Panic-Brand manufacturers currently see no special threat of a rising tide of controlled labels. Paul S. Willis, president of Grocery Manufacturers of America, says, "Right now this issue is causing less concern than at any time in the past 15 years."

Supermarket selling goes far to ex-plain this, of course. In self-service, much of the selling is done before the consumer gets to the store-and the food industry is making good and sure that it does a selling job. Furthermore, in today's high-level economy, the consumer insists on having a choice. You can't fer her just one brand-your own or anyone else's-and keep her happy. Quality control, efficient, large-scale dis-tribution, and heavy advertising will keep the national brands on the store shelves-and moving off them, fast.

Brand manufacturers are rejoicing over a recent switch in policy at the No. 2 food chain, Safeway Stores. Under former Pres. Lingan Warren, this giant was almost fanatically devoted to its own label. Now, with a new management, Safeway has drastically cropped the number of its own labels (BW-Aug.25'56,p92), and has let it be known that a more decentralized management will give each unit greater freedom to decide how many Safeway labels it wants to carry.

J. O. Peckham, executive vice-president of A. C. Nielsen Co., gave grocery manufacturers further comfort in a recent address. Nielsen studies indicate that the major advertised brands have held their own at a remarkably steady rate in recent years, accounting for about three-fourths of the food sold. The minor brands (including house labels as well as the less heavily advertised products) inched up microscopically between 1955 and 1956-from 24.1% to 24.4%, but this was still below their 1951 share of 25.5%, and much smaller than their prewar ratio.

· Pressures-Nevertheless, some observers feel there are strong pressures working for a private brand.

The recent outcropping of mergers in the food business is one. This works two ways: In cases such as Kroger Co., the addition of a new chain brings new outlets for the Kroger label. More important, it means a group of stores, under one umbrella, big enough to put over a private label. Zimmerman, for one, believes that the merger spree is heading for a major showdown between national and private brands.

The private label gives its owner an asset that may well become increasingly important. The streamlining of food distribution has brought with it a loss of personal store identity. A private label is one way to separate yourself from the crowd.

• Word of Warning-Even Peckham has a word of warning to food manufacturers on the vagaries of food distribution. In the ever-hotter battle for shelf space-intensified by the flood of new products-there's a good deal of uneasy shifting on those critical shelves.

Says Peckham, less than half (42%) of 220 major advertised brands have distribution in stores accounting for 80% or more of total food sales. While 15% of the brands showed gains in chain and large independent store distribution in the year from June-July, 1955, to June-July, 1956, about 25% lost ground. In other words, the food

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COMMERCIAL CREDIT COMPANY'S subsidiaries, during the past year, advanced ever one billion dellars to manufacturers and wholesalers to supplement their cash working capital. The total volume of its finance subsidiaries amounted to over three and one-half billion dellars.

Capital and Surplus over \$200,000,000 processor had better not bank too heavily on the loyalty of his customers.

This applies to the private label, of course, as well as to the manufacturer's brand. That is why Topco puts heavy stress not only on its buying power but on its buying techniques and merchandising policies.

• Organization—Topco's staff of about 70 is under the general managership of Harry B. McHugh. President of the organization is elected for a two-year period from the membership; currently it is Stephen Mugar, of Star Markets. The association has branch offices in Chicago and San Francisco. It has a research staff in both offices, and a packaging design staff at Chicago.

Topco insists that in quality of goods and in attractiveness of packaging its lines must at least equal the national brands. Its buyers, specialists in their fields, go straight to the source—the grower or processor—for their purchases. The field men keep a constant check at the source to insure top quality. Many of its lines go direct from processor to retailer.

• Pioneer—In one respect, says George Doherty, who with Robert D. Fenn is assistant general manager, Topco differs from most private labels in its readiness to take on new products.

Its research staff is constantly seeking ways to upgrade quality, and bring down the cost of physical handling.

• Profits Vary—Neither Topco nor its member stores feel that Topco brands will supplant national brands. The share of total sales that Topco brands account for varies with each member; in some chains, it's 10%. Profit margins, too, vary, but one big member reports its average net on Topco brands—after deducting the 1% fee—is 3% higher than its net on other brands.

Topco management readily admits to problems. It has a job to sell what it calls a "philosophy" of upgraded merchandise rather than a product. It has run into a minor snag on its expansion plans because it sells on an exclusive basis. When one regional chain carries its products, it can't offer them to another in the same market. One possible answer: Bring out more brand names.

 Paradox—Ironically, one of the trends that works to the advantage of private labels works to Topco's disadvantage.
 Mergers have already cost it some members (Krambo, bought recently by Kroger, is an example).

It needs membership and growth for another important reason. The existence of the medium-sized chain depends on keeping a healthy group of suppliers. Small producers and processors, who haven't the facilities to supply the big chains, are caught in a squeeze, too. Having a major customer such as Topco is one way to stay in the running.



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# In Marketing

### Orange Juice Comes to Market By Cargo Ship to Pare Costs

Like most companies, Fruit Industries, Inc., Bradenton, Fla., is looking for ways to cut distribution costs. It believes its new answer—transportation by cargo ship—will whack those costs, bring lower retail prices.

This week the SS Tropicana unloaded its first cargo of 650,000 gal. of Fruit Industries' orange juice at White-stone, L. I., 56 hours after leaving Cocoa, Fla. Tropicana is one of the so-called "pure" chilled orange juices—not concentrates—that sell in cartons, mainly through dairies (BW—Jan.29'55,p88).

Fruit Industries reports that transporting the juice by ship costs less than half a cent a quart, against 5¢ a quart by refrigerated truck. It's expected that this saving will bring the retail price down to the level of the frozen concentrates.

After the juice is pumped out of the ship's stainless steel, insulated, vacuum seal tanks, it is cartoned at the company's plant at Whitestone, delivered by refrigerated trucks to the dairies that handle it. The company plans other cartoning plants, foresees the day when it will ship the juice to Europe.

Anthony T. Rossi, Fruit Industries president, says that about 7% of the Florida orange crop now goes into his kind of product. He believes that transportation by sea will double the share this year.

### End of Fiscal Year Brings Flux To Three Big Retailing Outlets

While most merchants were winding up their books on the 1957 fiscal year, several major retail firms were writing new chapters—concluding in some cases—to their current operations.

 Control of Russeks Fifth Avenue, Inc., New York quality women's specialty store, was sold to Chicago mercantile interests, reportedly led by James Kassner, who heads a chain of some 40 maternity shops under the name Maternity Modes.

 Namm-Loeser's, Inc., big Brooklyn department store, began its final store liquidation sale in preparation for closing its doors.

 National Department Stores Corp.—New York chain with stores in Pittsburgh (Frank & Seder and Rosenbaum Co.), Cleveland, Houston, and Morrisville, Pa.—won approval of stockholders to change the corporation into an investment company.

In the case of Russeks, holdings of the family of Pres. Walter H. Weinstein, it is reported, were sold after net losses since 1953. The Fifth Avenue store specializes largely in furs, with branches in Brooklyn, New York's Savoy-Plaza Hotel, and a big Westchester County shopping center. The company's Philadelphia store opened

in 1948, closed in 1952 after suffering hefty losses. Its Chicago branch is also shutting its doors.

Namm-Locs r's blamed closing of the Brooklyn store on "substantial losses," not offset by smaller branches in two Long Island shopping centers. Presumably, these will continue in operation, although there has been no decision on future plans for the business as a whole.

As for National Department Stores, it has been in the process of selling a majority of the 17 outlets in its chain ever since control went to Pennroad Corp. and South American Gold & Platinum Co. in 1955. It reported a loss of \$200,000 for the fiscal year ended Jan. 31, 1957.

The move to change the character of the business resulted partly from investment of 22% of company assets in outside securities. Officials told stockholders they would now be in a position to shift in the most profitable direction.

National's action follows closing of the 65-year-old Eastern-Columbia stores in Los Angeles (BW-Feb.16'57, p80). This retail chain is putting its capital (except for investments in affiliated suburban stores) into Crown Finance Corp., a wholly-owned installment credit concern.

In Detroit, J. L. Hudson Co., big department store, denied by inference the repeated reports that it is about to be sold or to take in outside management. With election as a vice-president of Joseph L. Hudson, Jr., it announced plans "to keep on growing with Detroit as a family-owned business." Hudson is a grand-nephew of the founder.

### Marketing Briefs

Domestic whiskey distillers have persuaded the federal government to take a long look at the competitive effect of foreign companies with plants in the U.S. as well as abroad. Distillers such as Schenley are worried about not only imports but also about the amount of foreign money—primarily Canadian—in U.S. concerns.

The small, foreign-built cars (BW-Jan.26'57,p46) keep coming. General Motors will build in England a new Vauxhall, the Victor, smaller than the present Vauxhall line. American Motors reports that sales of its Metropolitan in the first 10 days of February were 222, against 137 in the same 1956 period.

A move to stop the sale of certain drug products, such as aspirin and cough medicine, in Red Owl supermarkets in Minnesota foundered when a district court judge, Michael Dillon, refused to grant an injunction against the food chain. While he based his refusal on technical grounds, food retailers took heart from his statement that there is no evidence that the products involved were a danger to the public health. They felt this might open more doors to drugs in supermarkets.

Two Woolworth stores in one shopping center: That was the announcement this week from the big variety chain and the giant Cross County Center, in Yonkers, N. Y. This is the first time Woolworth has opened two branches in the same center—and Cross County Center reports it is the first center to have two major units of any one company.



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# Soft-Pedaling the T-H Clamor

 Labor leaders fear their annual drive for amendments to Taft-Hartley might just make things tougher.

 Even the building trades show subtle signs of piping down, lest an anti-labor flood be loosed.

Congressional probe of union racketeering and the longshore strike are felt to have roused a hostile public opinion.

Labor's 10-year assault on the Taft-Hartley Act has lost its spearpoint. blunted alike by the Congressional inquiry into labor racketeering and by the

longshoremen's strike.

Top union officials fear that in the present climate of public opinion any amendments would be more likely to make things tougher for them, rather than easier. Right now, their private inclination is to let the law alone even though they feel committed to campaign publicly for changes. There are subtle signs among the building trades unions that even these staunchest foes of T-H will soften their annual demand for amendments.

· Administration Stand-Both union leaders and government officials have sharply revised their estimates of the nation's sentiment toward labor. In the past it has been more or less accepted that any changes in T-H would favor the unions. The Eisenhower Administration has consistently recommended changes pleasing to union leaders. Even the late Sen. Robert A. Taft, one of the drafters of the law, was amenable to modifying some of the sections that labor attacked most bitterly.

But now, union officials are fearful that a wave of anti-labor sentiment is building up-similar to a wave that followed the critical postwar strikes and smoothed the way for passage of Taft-Hartley, back in 1947. Such another wave, they think, could bring on new

and tighter curbs.

What's more, they already see advance ripples in the embarrassment that the Congressional racketeering probe has brought to the unions and to the parent AFL-CIO. And they know that there is more embarrassment to come when hearings start.

On top of that, the International Longshoremen's Assn. insisted on resuming a strike after the 80-day injunction provided by Taft-Hartley had ex-pired. Loopholes in the law appeared to leave the government powerless to act in the emergency, once the 80 days

· More Controls-Each development

is enough to awaken the public's interest. Any prolonged trend could bring demands on Congress to control union racketeers and critical strikes.

Most labor leaders, through the AFL-CIO, are supporting the racketeering investigations. An anti-corruption campaign to clean their own union houses has already produced a series of codes of conduct for labor officials and an initial federation crackdown on violators. More steps are anticipated.

But, these same officials who think the exposures will show corruption in only a fraction of the labor movement fear that any counter-measures will hit all labor. Consequently, they are likely to desist from their usual efforts to open up Taft-Hartley in Congress lest some unwanted measures be voted over their opposition.

The advance Taft-Hartley amendment campaign is no different than usual. A flood of bills are being introduced, mostly favoring union amend-ments. The AFL-CIO itself has reiterated its demands and Administration proposals leaning moderately to the union side are anticipated.

· Old Approach-But-The building trades unions have scheduled their annual Taft-Hartley drive for mid-March when 3,000 delegates assemble for pep talks and an invasion of the Congressional offices to press for action. Everything's the same as before-on the

But where much of the effective lobbying goes on it's not likely to be the same. The private pressures, the quiet huddles with congressmen, and other techniques may not be used.

· Private Talks-The first signs of this show up in advance moves by the building trades unions in private conferences with contractors on Taft-Hartley. Labor Secv. James P. Mitchell led both sides into a series of meetings, hoping for agreement on amendments that could be taken as a joint request to Congress.

The conferences, sought by Pres. Richard J. Gray of the Building & Construction Trades Dept., produced no substantial agreements. But by the time the conferences wound up, Gray and his associates had indicated interest in a plan on secondary boycotts that, in other times, would be completely unacceptable. In effect, the craft union leaders implied that they might ease their demands for an end to T-H secondary boycott penalties in exchange for a limited, private plan whereby fully organized employers would agree to hire only union men.

There was also some meeting of the minds on a modified plan to permit pre-hire agreements and for legalizing employer associations for concerted action. But the unions and contractors failed to come to terms on any major amendments that would change Taft-Hartley rules for the construction in-

· Sudden Shift-The craft union leaders in conferences a few weeks ago showed an anger and frustration at their failure to win contractors over to changes in Taft-Hartley. Then they switched to a tone so conciliatory that they took the contractors by surprise. However, before anything is done, both sides must approve Mitchell's written statement on their oral agreements on pre-hire agreements and legalizing the employer associations.

You can't say whether this shift is new official policy or just evidence of growing concern over what's ahead in Congress. But officials of the Building Trades Dept. have been wary of what the racketeering investigations may turn

up in their craft unions.

General Counsel Robert Kennedy of the Senate Select Investigating Committee has revealed that at least two building trades unions are already being investigated. Kennedy says the committee is looking into charges of collusion between contractors and the carpenters and operating engineers unions in the New York area. These are the first unions, after the teamsters, to receive official attention.

· Emergency Strikes-The industrial unions, which to date aren't directly involved in the racketeering probe, are eying a second troublesome issue-the

national emergency strike.

Principally, industrial unions such as steel and auto are the ones able to close down an entire industry; thus they are most affected by Taft-Hartley's national emergency section. Certainly, they want to avoid any tightening of that section that could grow out of the longshore strike.

New York's Sen. Irving Ives has already introduced a bill that would require that a Presidential national emer-



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gency board report to the President and Congress with recommendations on unsettled emergency disputes. As the law stands now, the panel makes no recommendations, and there's no other followup after the 80-day strike ban runs out. While the Ives bill might not bother the industrial unions too much, there's a feeling that debate on it could bring something much more strict.

So, rather than press a substantial amendment to the law, organized labor is moving toward a soft-pedal approach to the labor-management law.

### Phone Strike Close to Peace

The often-violent labor dispute centered around Portsmouth, Ohio, may be settled—if the strikers have cooled off enough to accept compromises. Strike has lasted seven months.

Early resumption of telephone service in southeastern Ohio appeared a bright prospect at midweek. A contract to end a seven-month strike by the Communications Workers of America against the Ohio Consolidated Telephone Co. lacked only a few delicate finishing touches. Negotiators on both sides were optimistic.

Frank Lennberg, industrial relations director of General Telephone Co., conducting negotiations for Ohio Consolidated, and Frank Thernes, chief negotiator for the union, said privately that the end of the long, frequently violent strike (BW-Sep.29'56,p32) ap-

peared near.

Once the final differences are cleared away, the area served by Ohio Consolidated—and particularly Portsmouth, Ohio—can start looking forward to the time when normal phone service will be available again. Even with the strike ended, this will still be weeks away. It will take that long to splice the cut cables, replace burned or blasted poles, repair equipment, and otherwise clear away the accumulated operating problems.

• Strike Issues—Prior to its purchase by the General Telephone Systems, Ohio Consolidated was an independent company with a union contract that CWA considered a model for all telephone independents. General Telephone wanted the labor agreement brought into line with contracts that cover its other operations. CWA struck largely to protect its Ohio Consolidated terms.

If the preliminary agreements reached between Lennberg and Thernes become a part of the strike-settling contract, both parties will be giving a little ground. The new pact won't have the glitter the old one had, but it will still be better than most in the industry.

• Concessions—CWA will give up a cherished union-shop clause and accept in its place a maintenance-of-membership clause. It will agree to a fancyworded arbitration clause that amounts to a no-strike guarantee. It will agree to give up jurisdiction over first-line supervisory employees, such as chief operators. And it will agree to less

termination pay than before, but not the smaller amount proposed at first by General Telephone and paid by the parent organization's other affiliates.

On the other hand, CWA will be assured a full day's pay for short-hour tours of duty in Portsmouth, 5¢ an hour more than General Telephone set as its "very final" wage increase offer several weeks ago, and a longer contract term than the one year originally demanded by the company.

• Remaining Snags—General agreement original at a sidewalk on these

 Remaining Snags—General agreement existed at midweek on these points. In some instances, details were still being argued.

However, another issue posed a more serious threat to a quick settlement. It involved the status of 175 employees who were hired during the strike as replacements for strikers—with promises of permanent employment—and the status of the strikers themselves.

While the company gave CWA assurances that most strikers will be taken back, it excepted seven or eight who were fired since the strike started, and possibly as many as 20 others who face charges of violence or vandalism.

face charges of violence or vandalism. Another "if" is involved in the prospect for telephone peace. Once the details of a new contract are spelled out, and put down on paper, the agreement will still have to be approved by the strikers. Generally, this is only a formality, but the 700 CWA members involved, centered mostly in Portsmouth, have been fighting mad for a long time.

Costly Strike—In addition to time—which made the strike increasingly costly to both workers and company—intense pressure for a settlement has come from political sources in recent weeks

Efforts by then-Gov. Frank Lausche of Ohio, a Democrat, to get public utility strike legislation through a predominantly Republican legislature failed in 1956, but legislative leaders promised that the issue would be brought up again this year. The Ohio legislature is now in session, and Republican Gov.

William O'Neill reportedly is ready to call for an anti-strike law. END



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### Under One Pact

Philadelphia's agreement to a single union for most city employees may set a pattern for other cities.

Cities across the country face increasing pressure to recognize a single union for most employees as a result of a "pioneering" contract signed in Philadelphia last week.

The city government there signed an agreement giving the State, County & Municipal Employees "sole and exclusive bargaining rights" for employees in all departments where it holds majorities. The union hailed the contract as "unprecedented in a city of major size." Its executive board, in session in Washington this week, talked of plans for similar pacts elsewhere.

• Coverage—The Philadelphia agreement covers some 15,000 employees, of whom an estimated 11,000 are members of the union. It does not cover 8,000 policemen, firemen, and park guards who are members of other unions, or about 5,000 employees in departments not yet unionized.

In other cities, notably New York,

many unions compete for municipal employees, department by department. The average city deals with five or six unions, some several times that number. · Too Many Cooks-Philadelphia's Mayor Richardson Dilworth, who has strong labor backing, felt for more than a year that multi-union activities in municipal government hurt everybody. Because of them, he said, municipal management is "plagued with wasteful union competition over griev-ances and a lack of centralized union responsibility." With an aide, Eli Rock, city labor relations consultant, Dilworth negotiated a single-union con-tract-pioneering, he said, in adopting for cities "what has been the rule in private industry, exclusive bargaining rights in one majority union."

The Philadelphia agreement was largely possible because the city has not dealt with any union for its blue-shirt workers in the past. The State, County & Municipal Workers had a free hand in negotiating an exclusive contract.

• Acceptance—To the union, the Philadelphia agreement is the latest indication of a spreading acceptance of unions by governmental bodies. Since its chartering in 1937, the State, County & Municipal Workers has had to cope with what its officers describe as "a good deal of official opposition" to unionization of civil workers. Ten years ago, it had fewer than 50,000 members. Now, the union claims 175,000 members in 1,450 locals. END

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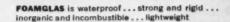
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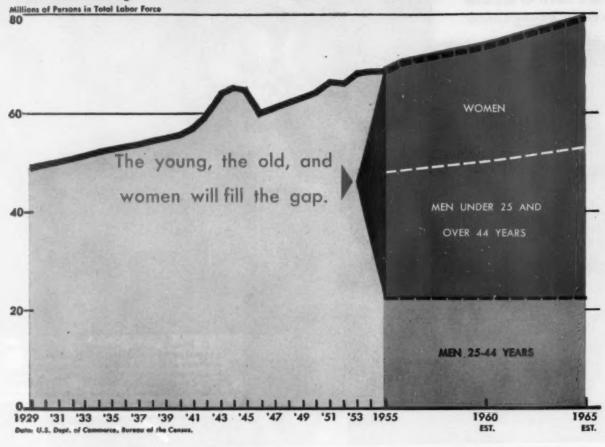






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# The Hiring Pattern Will Change

- That's the finding of a Labor Dept. survey that says labor force will grow, but in "wrong" places.
- More women, more older men will be used. And training programs will have to be stepped up.

Employers, plagued with labor shortages since early in World War II, are wondering a bit frantically whether the labor market will loosen up in the years ahead. With labor short in practically every part of the country, they would like to see more people in the work force, especially in the skilled occupations.

To chart the prospects for them, the Labor Dept. has just released a booklet, based on extensive research. It's not altogether encouraging for employers.

 Giantism—The booklet takes off from the estimate that population will keep on rising sharply, reaching 190-million by 1965 when gross national product is expected to reach \$560-billion, in terms of 1955 dollars. The Labor Dept. figures it will take 74-million workers to support this gargantuan economy—10million more than now (chart).

Past experience with the proportion of the population going into the work force indicates that the 10-million workers will be provided by the normal and expected growth of the population.

But even if the extra 10-million workers are present in 1965, they can still present a problem. They are not certain to fall patly into the framework of industrial needs. The entire increase, the booklet says, will be in men under 25, men over 45, and in women (BW–Feb.2'57,p20). By 1965, there will be 2.7-million more men in the 14-24 age group, 2.3-million more among the over-45s. Most alarming of all to employers

is the estimate that there will actually be a decrease of 700,000 in the sought-for 25-34 age group, inadequately balanced by an expected 600,000 gain among the 34-45s. The biggest increase of all will be in women: 5.4-million.

• Policy Shifts—Most employers would have to overhaul completely their hiring and training policies, to adapt to this changed work force pattern. They could hesitate no longer to hire men over 45 and women of any age. The shrinking of the prime-of-life middle bracket would mean that companies would have to lean increasingly on older men and women in the higher skilled and responsible jobs.

Company training programs and union restrictions on apprenticeship would also need revision. Otherwise, the increasing percentage of young men in the labor force could mean a dangerous general lowering of skill, and competition for skilled workers would become fierce as the work force gets its influx of young men with scant training

or none at all. END

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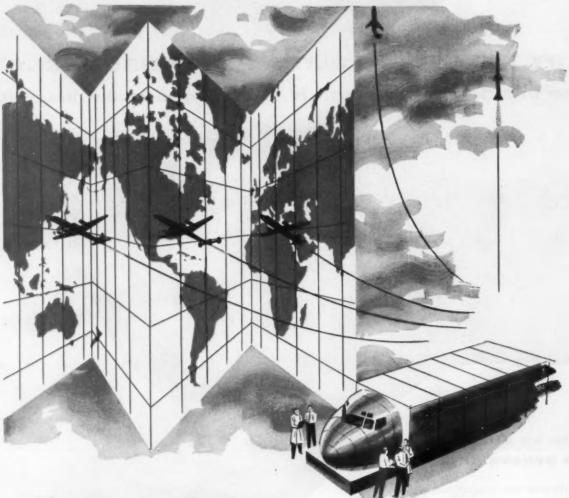
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# Housing Squeeze on Workers

Rising wages have meant that many workers make too much money to remain in public housing projects. Yet a lot of them don't earn enough to afford suitable rentals. So unions may use their influence at bargaining tables to help stimulate middle-income housing.

Steelworker Leo Stadelman has just moved his family from an up-to-date public housing project (top picture) to a two-family house that is badly in need of repairs (lower picture). He wasn't ready to make the move, but there was nothing he could do about it. He earns a little too much money to continue to qualify for public housing—and not enough to afford fairly modern private rental housing to accommodate a family of seven. Buying an older house was the only solution.

 Caught in Squeeze—This housing squeeze is now being felt by many workers across the country. Unions traditionally have been in the forefront when it came to pressing for government-supported housing for lowincome families. But they have been so successful at the nation's bargaining tables that their members no longer fall into the low-income category.

Thus unionists look for housing in the middle-income bracket. And that's precisely where the home shortage is most acute (BW-Aug.11'56, p32). Right now there is little government-aided middle-income housing. So as it becomes more difficult for workers to find suitable quarters for their families, the pressure is likely to build up for unions to try to do something about the situation at the bargaining table.

• Typical Case—The case of Leo Stadelman is fairly typical. This week, he and his family are settling down in their new home after going through the harrowing experience of trying to find a home large enough for seven people but still within their price range. Up until this month, the family lived in a public housing project in Pittsburgh. Most of the steelworkers already have moved out of the Pittsburgh projects. But four Allegheny County developments, occupied almost 60% by steelworker families, are among the few remaining ones in which sizable pockets of unionists live.

Last summer's wage settlement in steel pushed Stadelman's income as a Jones & Laughlin craneman up to \$5,184 a year. The top allowable income in his project for a family of



FROM PUBLIC HOUSING, which provided his family with roomy three-bedroom apartment for \$72 a month, a Pittsburgh steelworker has had to move . . .

TO PRIVATE HOME that is not so modern and needs costly repairs. Wage increase made it necessary for Leo Stadelman to leave public project.



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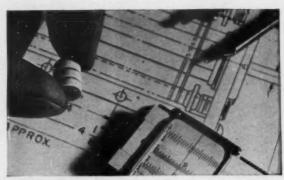
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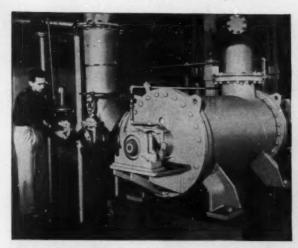
AVIATION — A short five years ago, a great engineering adventure reached its climax with the first "flight-test" of titanium. Today, titanium is used extensively in both military and commercial aircraft because of its high strength-weight ratio, freedom from stress corrosion cracking and ability to withstand high operating stresses. Its use in structural members, fire walls, cowlings, bulkheads, skin sections, jet engine compressors and other key parts, saves hundreds of vital pounds. Rem-Cru pioneered in the development and production of titanium alloys for aircraft applications.



ELECTRONICS — One of titanium's properties is its ability to absorb unwanted gases left in vacuum tubes. By absorbing these gases, titanium makes possible more stable electron emission, and greatly lengthens tube life. Nearly all metal parts in this tiny General Electric Company micro-miniature receiving tube are made of titanium.



FOOD PROCESSING — Many foods are hard on metal processing equipment. High chloride contents of pickles, for example, have a corrosive effect on kettles and other utensils. Titanium, however, is unaffected by chlorides and most organic products; it is also impervious to brines which normally cause pitting. Equally important, titanium leaves foods strictly alone — never adds a "metal-taste."



PULP AND PAPER — Chlorine dioxide bleach, widely used in paper making, improves whiteness and reduces fibre degradation, but it can ruin even special metal alloys in a surprisingly short time. Titanium is virtually immune to chlorine dioxide corrosion. That's why this new mixer, at Riegel Paper Corporation, has all contact surfaces made of Rem-Cru titanium.



CHEMICAL PROCESSING — There's a service life difference of over 1500% between these two parts, which are used in pressing solid cake from slurries of calcium hypochlorite at Pennsylvania Salt Manufacturing Co. Actually, the new-looking part is the "old" one. The part on the left, made of one of the best corrosion-resistant metals, lasted just two weeks. But the part on the right, made of Rem-Cru titanium, has been in use for over seven months, yet it shows no traces of pitting or corrosion.

Titanium proved its exceptional service life again at a DuPont chemical plant, where a condenser handling 60% nitric acid at 480 F and 300 psi corroded so rapidly it had to be replaced every five months. Unit costs and down-time were alarming. So, together, DuPont and Rem-Cru engineers developed a 12" diameter titanium insert that stopped corrosion at its source. The new condenser and insert have been in service now for 16 months and still show no signs of corrosion.



MARINE — Titanium won't pit, tarnish, discolor or corrode in salt water or sea air. It stays bright indefinitely without polishing or care. For example, the pulpit and stanchions of Rem-Cru titanium shown above, aboard the SEACALL, are as bright and clean today as when installed two seasons ago. Titanium has other advantages for the sailor, too. Its use in mast fittings means lighter weight aloft. And its exceptional corrosion resistance adds years to fuel tanks, sea water condensers, mufflers and exhaust pipes of wet or high temperature systems.

In each of these applications, titanium proved its ability to increase performance or cut replacement and production costs—major reasons why more and more manufacturers are turning to Rem-Cru titanium when they need a metal that is light, strong, corrosion resistant, and long lasting.



World's Most Versatile Metal

MIDLAND, PENNSYLVANIA

seven with five children is \$5,080. When the housing authorities in Pittsburgh and Allegheny County held their annual review of tenants' income this month, they found that the Stadelmans and 450 other steelworker families were over-income.

 The Choices—Like the Stadelmans, these families face a difficult choice. They can find quarters similar to those in the public project and pay far more than they can afford for rent or more gage payments. Or, they can stay within the budget and take less desirable, cramped accommodations.

Stadelman and the others are entitled to at least six months to find new homes. But, luckier than most, Stadelman worked out a deal with his sister to buy a two-family house, so he didn't wait. He's taking over the \$6,000 mortgage on the house, made no down payment. At best, the new home is only a compromise.

• Compromise—To carry the new house, Stadelman will have to pay \$56 on the mortgage, \$25 each month to his sister on a down payment arrangement. On top of this, he'll have utilities, taxes, and an upcoming \$1,500 repair bill to meet. However, he hopes to rent the other half of the house for about \$40 a month.

The Stadelmans had three bedrooms in the project apartment, as they do in their new home. But their old kitchen was modern, had plenty of cabinet space. The new kitchen is small, lacks cupboard space. On moving day, Mrs. Stadelman sighed regretfully over the loss of her modern kitchen.

• Fruitless Search—Before buying his sister's house, Stadelman canvassed the private housing market, ran up against the situation facing the other evicted families. A duplex, a small house, or a decent apartment large enough for his brood started at \$120 a month. For the same rent, \$72 a month, he paid in the project, he was able to find only a third- or fourth-floor walkup apartment that was not desirable for the kids.

An experimental private middleincome development—Chatham Village, with spacious grounds and roomy, modern apartments renting for \$96 a month without utilities—would have been within Leo's reach and worth stretching for. But the village has a waiting list so long, it was out of the question.

The Stadelmans' experience is not unusual. Families like them trying to find middle-income housing continually are running smack up against the shortage of \$12,000 to \$15,000 homes. Usually they end up like Ruth and Leo Stadelman, making some sort of compromise between space and price.

• Housing Pictures—A study just released by the staff of the Senate



TOP FLOOR in this house is only thing Stadelman could find for the rent he had been paying. But, with five kids, cramped quarters and stairs make it impractical.



MODERN APARTMENT big enough for a family of seven in this building would have cost at least \$130 a month. That was too much for Stadelman, who earns \$5,184 a year.

Subcommittee on Housing, headed by Sen. John Sparkman (D-Ala.), finds that the middle-third of families living in cities has an income between \$3,800 and \$6,000. Using the rule that a family can afford a house costing two and one-half times its annual income, these middle-income families are in the market for homes costing between \$9,500 and \$16,000. But the Bureau of Labor Statistics estimates that half the new houses built in cities last year cost over \$14,500. This figure will be higher in 1957, BLS believes.

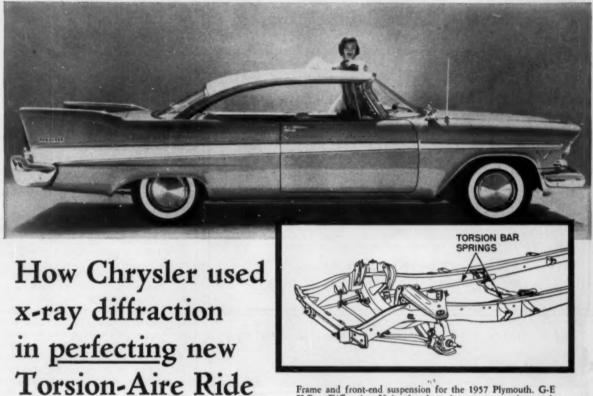
• Labor's Course—How do unions fit into the picture? So far, they've largely limited their efforts to supporting Congressional bills favoring public housing, urging the Public Housing Authority to approve raises in the maximum income level for projects in which union members live, and calling for more and better modestly priced houses.

In Miami last month, the AFL-CIO executive council called for a "bold comprehensive forward-looking housing program" that would "assure the construction of the 2-million units a year the nation needs."

• Union Projects—But a few unions, such as the International Ladies' Garment Workers Union, the Amalgamated Clothing Workers of America, and Local 3 of the International Brotherhood of Electrical Workers, have sponsored or built cooperative projects—where families buy the apartment in which they live—that fall generally within the medium-income range. Most of these, though, are located in the New York City area.

The United Auto Workers played

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a hand in the development of a housing tract in Milpitas, Calif., near San Francisco. With 169 homes already up, UAW is shooting 1,500. But that's about the only sizable union-sponsored project outside the New York area.

In New York, unions have put up, in whole or in part, about 10,000 units of the cooperative-type housing. They do this in four main ways:

· By letting a project use the union's name to gain prestige and backing;

· By putting up "seed money"buying the land, hiring the architect, etc.-to get the plan off the ground;

· By lending money at little or no interest to members so they can buy into cooperative buildings;

· By using money from pension and welfare funds to invest in housing developments.

A number of obstacles, however, stand in the way of large-scale entry by unions into home building. For one thing, many cities and states tax such developments at standard rates. For another, many unions favor interracial admittance to their housing projects. This runs into opposition in a number of cities, as UAW found in California.

· Bargaining Issue-So some experts are convinced that unions will bring the subject to the bargaining table. Because of traditional union hatred of company-owned homes and company towns, it's unlikely that employers will be asked to contribute anything directly to worker housing. The best bet is that unions will seek agreement that welfare and pension fund money will be used to construct homes that its members can afford. These straws are already in the wind:

· IBEW, an approved FHA mortgage buyer since last December, has announced plans to pour some \$14-million into home mortgages (BW-Dec. 15'56,p53).

· Three building trades unions in northern New Jersey will invest \$150,-000 in welfare money in new houses. North Jersey builders hope \$1.5-million will come from negotiations with seven other unions (BW-Dec.29'56,p70).

 AFL-CIO president George Meany has called on unions in New York to put money from welfare and pension funds into middle-income housing (BW-Dec.31'55,p66).

APPLIANC

m

NSULAT

• United Steelworkers Pres. David McDonald has zeroed in on the \$2.5-billion steel industry pension funds, now supported and administered solely by the steel companies. Seeking a union voice in the operation of these funds, McDonald told a USW meeting in Chicago, "the money should be used for such worthwhile practical investments as housing for retired persons. . . ." END

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### In Labor

#### **UAW Girds Anew to Organize** Aircraft Technicians, Professionals

The United Auto Workers is making a new bid for the growing numbers of technical and professional employees. Its National Aircraft Dept. has established an Aircraft & Avionics Engineering Council for engineers, scientists, draftsmen, and technicians.

According to UAW, affiliation with the council will permit professional personnel to "preserve their identification," but at the same time will link them with production workers "to effectively present and achieve their collective bargaining demands."

Since the end of the war, the aircraft industry's hiring of technical people has been largely in the fields of electronics, physics, and mathematics-rather than in aeronautics. UAW hasn't made much headway so far among these various technicians.

The new council with jurisdiction in aircraft, avionics, and guided missiles industries may get a good sendoff next week. The independent Federation of Honeywell Engineers, in Minneapolis, will vote then on affiliating with UAW (BW-Feb.2'57,p117).

The auto union just recently reorganized its Skilled Trades Dept. in a similar bid for auto's high-skilled workers (BW-Dec.22'56,p84).

#### In Bargaining, the Foreman's Ideas Are Sought—but Rarely His Presence

What role does a foreman ordinarily have in contract negotiations? The Industrial Conference Board recently asked a sampling of employers that question. It found that almost all ask foremen for ideas but few let them sit in on bargaining sessions.

Of 213 companies that cooperated with the survey, only 61 allow foremen to be on hand for negotiations:

 In 37 of these, foremen are allowed only as observers. The idea is to give them a basis for day-to-day handling of contract problems.

In nine, foremen are present as technical advisers.

 In the other 15, they are active members of management's negotiating team.

#### Slump in Lumber, Plywood Imperils **Extending of Long-Term Contracts**

Long-term contracts in the lumber and plywood industries in the Pacific Northwest are about to expire-at a time when both trades are in a slump. This poses a serious problem for those interested in preserving extended contracts, which have reduced labor turmoil in

Unions accepted two- and three-year contracts after a

long, hard strike in 1954. They say that "on the recommendation of the governors' fact-finding committee . . . we agreed to go along with the national economy" by accepting a closed contract with specified wage step-ups.

This replaced old negotiations on a catch-as-catch-can basis-bargaining on 60-day notice when the industries

were best able to afford raises.

Pacific Northwest employers would like to negotiate another long-term pact, but their industry is suffering from a nationwide lumber and building recession. They say they're not able to give the substantial pay hikes demanded as a price for new long-term pacts.

Last week, one union spokesman summed up the situation in this way: "Sign another long-term contract? I don't see it. Either we sign a long-term contract and get good increases, or we go back to short-term wage openings so that when the business is flush again we can move in.'

Under the circumstances, many in the lumber industry fear a return to annual reopenings-timed in the spring when the market is usually strongest and employers are most vulnerable. If this happens, its significance will not be lost on employers in other industries who have long-term agreements that-up to now-have run out only in prosperous times.

#### Despite Two Previous Failures, Railroaders Talk Union Merger

For the third time in two decades, efforts are under way to merge two major railroad unions-the Brotherhood of Locomotive Firemen & Enginemen (AFL-CIO) and the Brotherhood of Locomotive Engineers (Ind.).

The BLF&E claims a membership of 96,000 while BLE has a reported 90,000 members. There is substantial overlapping-an estimated 25,000 engine crew-

men belong to both brotherhoods.

In 1933, BLE (then in financial difficulties) proposed a merger; the BLF&E spurned amalgamation. In 1949, BLF&E members voted overwhelmingly for a merger with the BLE, but the latter sidetracked the proposal; it said it would be impossible to merge vast insurance programs that the two brotherhoods maintain.

Now, a worried BLF&E-threatened by technological changes that are reducing the need for firemen and en-

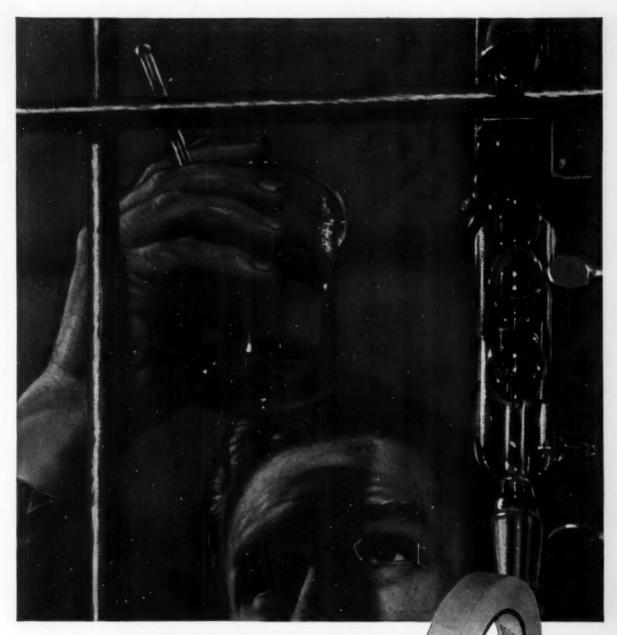
ginemen-has approached the BLE again.

From the BLE: No comment.

#### Labor Briefs

Welfare fund legislation, sought by Gov. Orville Freeman, may be in the cards for Minnesota. A bill introduced in the state legislature last week would call for disclosure of fund books, prohibit payments by insurance companies to anyone connected with welfare funds.

Medical care and health needs of some 800,000 members of the International Assn. of Machinists will get close study by Columbia University School of Public Health, it was announced this week by a joint IAM-U.S. Industries, Inc., foundation. The results, to be made public, will be used in bargaining by company and union, and in teaching by the school.



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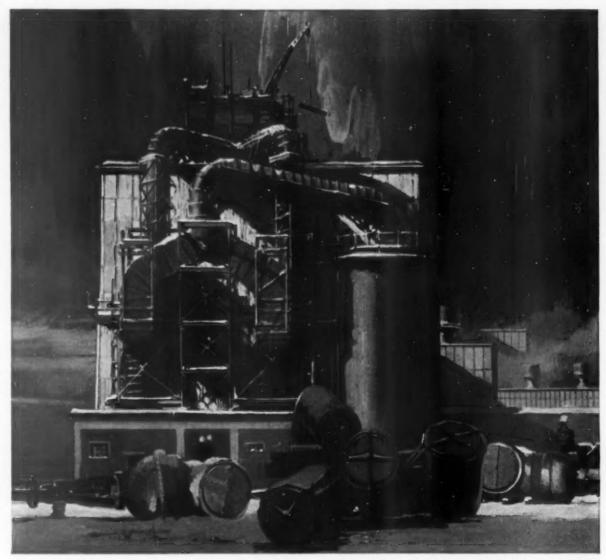
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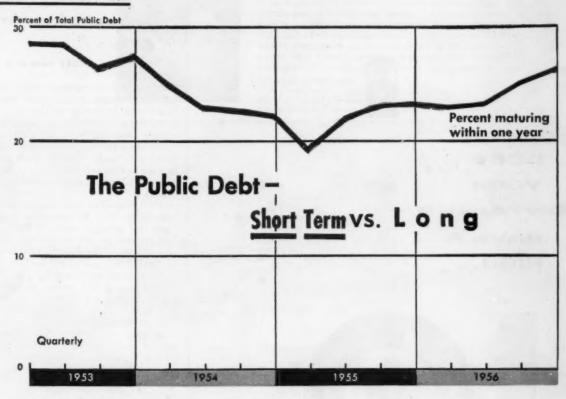
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Date: U.S. Treasury Dept.

The Treasury has wanted to lengthen the debt, but here's . . .

# Why Treasury Is Hamstrung

Debt management nowadays is subordinate to general fiscal and credit policies, the Administration has learned.

The major overhaul of the savings bond program announced by the Treasury last week is clear proof that even the nation's biggest borrower has been having rough going.

A new, more attractive yield on savings bonds may reverse the recent trend in which these bonds were redeemed faster than new ones were sold. However, savings bonds make up less than one-quarter of our mammoth national debt of more than \$276-billion, so this move can only ease partly the task of the nation's debt manager, Treasury Under Secv. W. Randolph Burgess (BW-Dec.10'55,p74).

• Thwarted-Burgess has been in charge of managing the debt since the Eisenhower Administration took office in 1953. Since then he has, in his own words, been "running fast just to stay in the same place." This was not his in the same place." This was not his original intention. When he and his boss, Treasury Secy. George M. Humphrey, took over from the Democrats, they had bold plans to cut the debt down to size and, at the same time, to tame its inflationary effects.

Neither objective has been won. Instead of being cut, the debt has increased somewhat. And Burgess' efforts to use debt management as an antiinflationary tool have been thwarted largely by the Administration's reliance on monetary policy instead.

#### I. Short Term, Long Term

When Humphrey and Burgess took over, it wasn't only the size of the debt that bothered them. They felt its structure and distribution were also distorted.

Of the \$264.5-billion then outstanding, more than \$75.6-billion-or 28%was in issues that would mature in a year or less. The average maturity of the total marketable debt was only 46 months.

This was what the new Treasury team wanted to change. They felt that lengthening the debt would end the necessity of making the frequent trips to the market that brought the Treasury into competition with other borrowers. Even more important, they felt that a stretch out would lessen the enormous liquidity entailed in having so much of the debt in short-term

· Different Lenders-Short-term securities are not particularly attractive to individual investors or institutions-savings banks, life insurance companies, pension funds-which have to salt away funds for the more distant future. For the most part, short-term issues are bought by the commercial banks. Banks pay for these government securities by increasing their deposit liabilities, and that adds to the money supply-an inflationary effect.

It's standard practice to try to insulate the debt by shifting its ownership from banks to non-bank investors. And this is the course that Burgess originally adopted in 1953. His experience right



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Lithographed Metal Containers

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". . . the Treasury's working cash is at its lowest level in years . . ."

STORY starts on p. 85

from the start discouraged a doctrinaire approach, though he still holds that it is desirable to stretch out the debt.

As Burgess now sees it, both debt management and fiscal policy are relatively blunt and sluggish weapons, compared with credit control. They can't be used to deal with day-to-day changes, nor with sudden shifts in economic conditions

• 1953 Flop—The more pragmatic attitude of the 1957 Burgess stems in part from the unhappy results of the first real attempt to stretch out the debt. The offering of the 30-year, 3½% bonds of April, 1953, was hailed as (1) a dramatic attempt to stretch out the debt and (2) a practical means of fighting inflation. It was a dramatic and practical failure.

Soon after the issue hit the market, it dropped below par, and all other interest rates jumped upward. The issue is blamed for contributing to the near-panic in the money market that spring, although the Federal Reserve also had an unsettling effect, through both its talk and its restrictions.

• New View—Since then, Burgess has come to recognize that debt-stretching has definite limitations. In fact, he sees that the economy is adjusted to both the degree of liquidity and the money supply that result from the existing concentration of the debt in short-term issues. Any real change in this balance, he recognizes, could be disastrous.

Thus, there have been no radical changes. Today's debt is \$12-billion higher than it was four years ago. The average maturity is still the same 46 months. And the portion that's due within a year is \$74.4-billion—or 26.9%—compared with \$75.6-billion, or 28%, in 1953.

• Interest Costs—Meanwhile, the cost of servicing this debt has risen, as it has for every other borrower while the Fed is keeping a tight rein on money. In 1953, interest on the debt, at an average 2.4%, cost the Treasury \$6.5-billion. This year, the Treasury estimates an average rate of about 2.6%, and it is budgeting debt service at \$7.2-billion.

Paying higher interest rates should, in theory, increase the availability of lendable funds, but it hasn't made life easier for Burgess. The Treasury's working cash is at its lowest level in many years. So Burgess has had to increase the amount of the weekly borrowing through 91-day bills. Some relief should come next month, when



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tax receipts start pouring in. This should keep the Treasury's working cash at a safe level for a while.

#### II. When Uncle Sam Borrows

In the strait-laced view of debt management, the government should behave like any other prudent borrowerselling the long-term bonds when interest rates are low, borrowing on short-term securities when rates are high or likely to go lower.

In the days when the national debt was of Lilliputian proportions, this simple policy could be followed to the letter. However, ever since the debt grew to Gulliver size, debt management has been recognized also as an important device in maintaining economic stability. Acting like any other borrower could bring trouble.

 Cooperation Needed—Since debt management influences both interest rates and the supply and demand of credit, it must be integrated with fiscal policy in general, which involves the government's intake and expenditure of funds. And both must be meshed with the Federal Reserve's monetary policy.

Thus, if the Treasury runs a budget surplus and decides that inflationary pressures dictate cutting debt rather than taxes, the debt manager must decide which debt should be retired, and when. Similarly, when the Treasury faces a refinancing operation, it must choose between offers of short-term or long-term securities. So fiscal policy governs the debt manager.

Similarly, credit policy can control. In an inflationary period, orthodox debt management practice is to stretch out the debt by selling long-term issues to non-bank investors. But if the Fed is at the same time tightening credit, such a move could run up the Treasury's interest costs too high and could also absorb too great a share of available funds.

Last year brought a good example of what happens then. The economy was threatened by inflation, yet the Treasury refunded its debt exclusively in the short-term end of the market—a normally inflationary action. Treasury officials from Burgess on down felt they had no choice—the Fed's credit policy was then so restrictive that a long-term offering by the Treasury would have weakened an already shaky market.

"A long-term offering any time last year," says a finance man, "would have been in competition for too limited an amount of funds. The mortgage market was already sick, and a Treasury offering—which would have absorbed funds that were ticketed for mortgages—would have made things even worse."

Last year's experience illustrates an important change in relationship between the Treasury and the Fed since the famed accord of 1951.

Before that agreement, the Fed had been committed to supporting the government bond market, so the Treasury's debt managers held the initiative. They could take the line of least resistance, continually borrowing short-term money at the cheapest possible rates. Because the Fed had to support the market, it couldn't make money really tight, and so the Treasury got bargain rates. The result was that by subordinating its control over money to the support of the Treasury's securities the Fed became an "engine of inflation."

In order to counter the inflationary effect of its own Fed-supported operations, the Treasury tried to shift a large part of the debt into non-marketable savings bonds: the E and H series, aimed at the small saver, and the F, G, J, and K series, which offered larger investors a good return without risk.

In 1951, however, the Fed regained its independence of action. It began to push money rates up.

• Understanding—The 1951 accord that ended the Fed's pegging of the market was supposed to harmonize the interests of the Fed and the Treasury, and both parties still talk in terms of cooperation and partnership. Actually, though, what it did was to reverse the roles of the two agencies. Today, the Treasury's debt management operations are subordinate to the Fed's control

over credit in general.

The result is some dispute over the meaning of cooperation. To the Fed, the term has a narrow, technical meaning, largely confined to assisting the Treasury in its borrowing operations. Almost always, the Fed temporarily supplies funds to the money market when a Treasury offering is due. This helps assure a successful financing. On a couple of occasions in the last four years, the Fed has directly purchased Treasury securities to avert a possible financing flop.

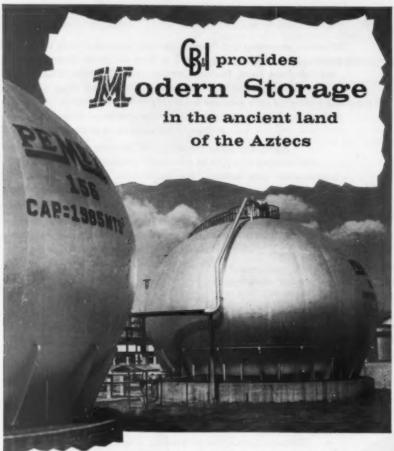
Success in new issues is the Treasury's objective, too. But the Treasury would like to have more leeway in making its financing decisions. As it is now, the department is virtually limited to the moves the Fed is willing to accommodate. There's cooperation—but it is largely on terms set by the Fed.

#### III. Still Powerful

This doesn't mean that debt management is no longer important since the 1951 accord. It is still a powerful weapon, particularly as a supplement—if not a substitute—for credit controls.

Example: In late 1953 and through 1954, the Treasury refrained from issuing any long-term bonds that might have gone to non-bank investors. Much as it would have liked to stretch out the debt, it realized that to do so during a business downturn might create





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a shortage of funds for other investment. However, in July, 1955, the Treasury turned around and sold more than \$750-million of 3% 40-year bonds in a debt-lengthening operation. At a time when the Fed had started to tighten credit, this move constituted a further turn of the screw.

The fact that the debt hasn't been significantly stretched out is proof that debt management is subordinate these days. If the Treasury were in fact calling the shots, it would have lengthened maturities all through the inflationary upsurge of 1955-56. But it didn't do this.

• Tougher Job—Whatever the merits of the case of who has kept the economy on an even keel, the technical side of debt management is infinitely more difficult than before 1951.

In the era of the pegged market, the Treasury always went through the motions of talking to investment groups, but it could set its terms in full confidence that it had the Fed as a backstop. Nowadays, Burgess has to sound out the money market seriously to gauge its appetite and preferences. If he senses a chance to put out some long-term issues, he must be prepared to move before the market changes its mind.

• Little Choice—Some financial people deem it a paradox that, despite the accord with the Fed, Burgess has largely followed the short-term debt route of his predecessors in refunding operations. The difference is that, where they did so by choice, Burgess has often seen no reasonable alternative. Some experts question this judgment; they say he missed more than one opportunity to stretch out the debt.

Others support Burgess' view. They say it is practically hopeless to try to sell long-term debt in boom times. They reason that the interest cost is then too high and that there's always the risk of inviting a downturn.

 Shift in Owners—Although Burgess hasn't been able to make much progress in altering the structure or the size of the debt, he has achieved some shift in its ownership.

The amount of national debt held by individuals has risen from \$65-billion in 1953 to \$67-billion now. In the same period, commercial bank holdings have declined from \$63.5-billion to \$59-billion

The Treasury still has hopes of getting out a long-term bond sometime this year. But it is no longer optimistic about either cutting the debt or stretching it out. Its most recent intermediate offering, a 39-month note paying 3½%, provides part of the reason. Despite the fact that it had the highest interest tag on a Treasury offering since 1933 and a relatively modest maturity date, its reception, while fair, was not an unqualified success. END



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# PRODUCTION

SUSPENSE The starting button has been pushed. William Orr (right), fellow engineers await first product.



SUCCESS Flowing at close to 400F, first hunk of new polyethylene gets dunked into water both on way to chopper.

SNAG develops temporarily when tangled strands, each bound for separate slot in chopper, jump the track.

# Start of a

Celanese Corp. of America turned out the first batch of a new kind of polyethylene plastic—tougher, more resistant to heat—in a new Texas plant the other day (pictures).

It spelled a challenge to other plastics makers—and a case study in the excitement and trouble of breaking in a new process in a new plant.



## Plant-and a New Plastic

LAST WEEK the first squirts of a new type of polyethylene plastic coiled spaghetti-like from the business end of Celanese Corp. of America's just completed Houston plant (pictures). It signaled the real beginning of a U.S. production race likely to be one of the hottest the plastics industry has seen in years.

Of half a dozen similar installations slated to start up this year, the Celanese plant is among the very first to get on stream. Within a few weeks the flow of plastic-a new high density type produced under a Phillips Chemical Co. license-will swell to a steady 100,000 lb. per day from Celanese.

And all in all, if every one of 14 major chemical companies carries announced building plans to fruition, by 1960 total annual capacity for the new polyethylene will be 600-million lb.-equivalent to potential output of standard polyethylene from present high pressure plants.

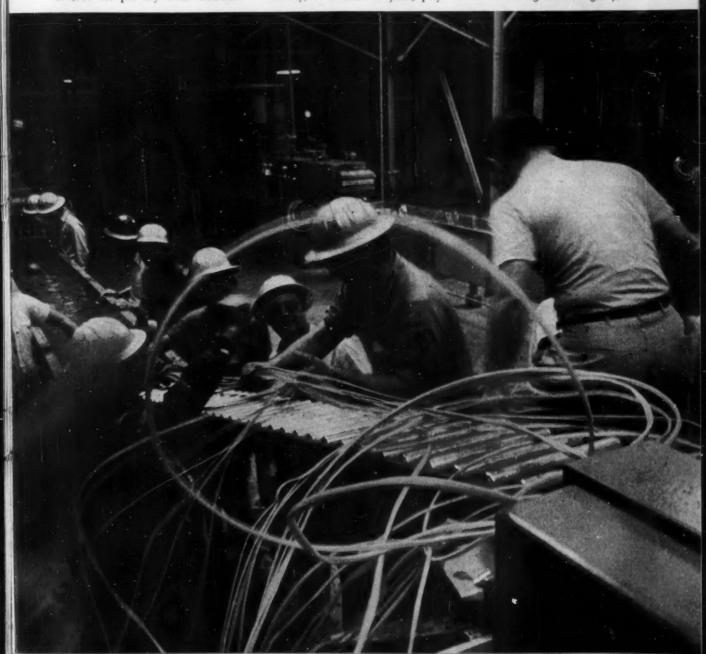
· Difference-It's easy to be confused by the labels attached to the old and new brands of polyethylene. The kind familiar to the public today is low density, manufactured under high pressure; the new sort, quite the opposite, is of high density, produced with low pres-

Already, in a scant 13 years, poly-

ethylene has grown faster than any other plastic. With the new variety added, the big question is whether plastic molders, extruders, and film makers can absorb all the production that will be on stream within three more years. But few will relax and let the other fellow take the gamble. The virtues of the new polyethylene are too appealing:

· It's more resistant to heat-and retains strength at water's boiling point. The heat barrier for present poly is a mere 180F, which means it can't be sterilized or boiled.

• The new polyethylene boasts increased strength and rigidity, over



TESTING went on incessantly before plant opened. A workman perches precariously to check motor on main reaction chamber.

MAZE of valves, seals, and pipes-70 mi. long-needed constant inspection to make sure all was in working order in advance.

#### Story starts on page 94

the well-established older material.

• Applications—Regular polyethylene has already been a sensation in its spread to new uses. At the end of World War II, most of the industry saw its brightest future in wire and cable insulation, a relatively narrow field. Soon, however, polyethylene exploded into packaging—in squeeze bottles and film. Now, packaging takes more of the plastic than any other application. And moldings for commercial and household products—from garbage cans to soap dishes—are setting new volume marks.

• Happy Fact—To the industry, one of the new polyethylene's most winning qualities is the lower initial cost of production facilities. Making regular polyethylene involves reacting ethylene gas—a petrochemical—under pressures ranging from 15,000 psi. to 30,000 psi. That takes plenty of expensive pipe, big pressure vessels, and costly compressors. The new high density poly, on the other hand, is produced at low pressure in the presence of a finely dispersed catalyst. So the plant itself is cheaper.

But in a low pressure plant, it requires extra processing to extract solvent and catalyst. And the solvent and catalyst cost money. No one knows for sure yet how much these factors will hike the cost of high density poly, because there's no one in the U.S. with operating experience. True, pilot plants and semi-works have been running about a year. But you never can tell what may happen when you multiply the scale by 100.

• Tension-That uncertainty is just

what's been putting pressure since early last year on William Orr (pictures, page 94), who bears the dual responsibility of plant and project manager for the new Celanese installation. The story of what's been happening at Celanese, under Orr, is typical of things to come in the plastics industry.

Since ground was broken last May, Orr has been on the job an average of 90 hours per seven-day week. The result has been a record in construction time—for which Orr credits C. F. Braun & Co., Alhambra, Calif., contractors, and their "really marvelous job." The Celanese plant is one of the very few that has been on—or even ahead of—schedule right up to the first production run date.

"One thing that helped keep us ahead," says Orr, "is that I was surrounded by a bunch of guys who know the score, and I was given a completely free hand to get the plant built the way I thought best." Orr could—and did—make on-the-job decisions involving up to \$500,000.

• It Worked—Evidently, the free hand paid off. The only construction delay came during two weeks of last fall's steel strike. But even then Orr and his staff turned up enough material in the bushes to keep things humming. Rain and mud didn't hold up the schedule because the layout was built on a concrete platform instead of scattered piles. The extra cost will be worth its while in reduced maintenance, Orr says—"and, besides, it makes a prettier plant."

In the interests of economy and efficiency, the Orr team introduced some modifications of the Phillips Chemical method of producing high density polyethylene. One change was





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replacing filtration with a new technique for removing the catalyst from the polyethylene. This, says Orr, "saved us about half a million dollars." It promises to diminish production costs, too, by eliminating filter servicing.

· Test Case-Even as the plant was taking shape, the 115-man operating staff was learning first hand how to run it. By late September, a semi-works with capacity of 1,000 lb. a day, rushed to completion on the site, was turning out material. Exactly 1/100th the size of the commercial plant, the semi-works could test plant design data, provide material for product development, and -above all-serve as a training model.

"A greenhorn," explains Orr, "could do some damage to a semi-works, but if he should mess up the main plant, the loss would come to about \$10,000 an hour of downtime.'

· Chronology-By mid-December, the main plant's framework was in place, and Orr's crews were concentrating on utility hookups-steam and inert gas generators, steam and air lines, instrumentation, fire protection, and process air drving apparatus. Once utilities were in, segments of the plant could be tested the minute they were finished.

Workmen tackled operating areas in a sequence similar to the production process:

· First to be completed, on Dec. 20, was the vital solvent purification and catalyst generation unit.

· Next, in mid-January, came the reaction chambers (where polymerization occurs) and gas removal sections.

· A week later, the job progressed to the catalyst separation equipment, polymer drying gear, and extrusion facility

• Then the last of some 70 mi. of pipe were linked to integrate all parts of the plant.

But even with the last pipe con-nected, Orr couldn't push the starting button. All the thousands of welded joints, valve assemblies, instrumentation connections, and seals in the 70-mi. pipe maze had to be proof tested carefully.

• Sand Traps-One recurring nightmare was welding burrs-droplets of weld metal that accidentally get into the pipes and then circulate through the system. One tiny burr caught in a valve mechanism can wreck the whole process -and ruin the valve seat as well.

For 10 days before the plant's first shakedown, crews flushed processed solvent through the pipes. Countless seals had to be replaced and valves reseated. Some sections had to be taken down and put back together again as many as six times.

"Sometimes," says Orr, "the job requires shutting down a section full of melted polymer, which can congeal in the pipes. That can lead to such serious

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trouble that it's cheaper to throw out the pipe and replace it with new stuff. . . . Since the system handles highly erosive chemicals through mechanical pumps and seals, when any part lies idle you are likely to be faced with several dozen cases of fouled and corroded mechanical parts. It's one reason why once the plant is going, you hate to stop it for any reason."

· Example-Another hazard during construction is water in the pneumatic instrument and control lines. This can be a menace to instrument readingsat a time when the staff is trying to calibrate the whole system. There are hundreds of other chances for trouble. For instance, a BUSINESS WEEK team was on hand last week for the crucial moment when the plant was about to extrude its first finished product. Two crossed wires caused the extruder motor to run reversed, and the first polyethylene crystals went in the wrong direction. It was repaired in minutes. Hot strands of polyethylene began flowing for the first time, and by last weekend, the plant was "running like clockwork," according to Orr.

Because of all the testing that went on in advance, Orr hopes it will take only two weeks to break in the plant and that output can be at the annual rate of 40-million lb. before Apr. 1.

 Competitors—If the plant lives up to Orr's expectations, Celanese will be on the ground floor of the high density polyethylene market. But it's going to have company.

Only six miles away at Adams Station, Phillips has a completed plant in the process of achieving marketable production. Designed to put out 25-million lb. per year, it can probably handle 30-million lb. to 40-million lb. And it's only part of a group installation designed for total annual capacity of 110-million lb. size, will go on stream in September, barring delays. And a third unit is planned.

Others will be coming along soon. Hercules Powder Co. already has customers. It's delivering—from the German plant of Farbwerke Hoechst—the first commercial low pressure polyethylene to U.S. molders, for 47¢ per lb. Called Hi-Fax, the material has been turned out for about a year now under the Ziegler low pressure process, which uses different catalysts than Phillips (BW—Oct.15'55,p120).

Hercules, with its own plant under construction in the U.S., hopes to be producing commercial material by the end of March and to be in full swing—at 30-million lb. per year—by July. Hoechst's experience, Hercules thinks, can help it leapfrog many problems suffered by others in U.S. industry.

• And Then Some—Two other companies with Phillips process licenses are erecting plants. W. R. Grace & Co. expects its 50-million lb. Polymer Chemicals Div. layout to be operating by midyear. Carbide & Chemicals Co., a division of Union Carbide & Carbon Corp., with both Ziegler and Phillips licenses to its name, is putting up two plants with combined capacity of 55-million lb., at Seadrift, Tex., and Institute, W. Va. Carbide, biggest producer of conventional polyethylene (with 300-million lb. capacity), says it's modifying both techniques for producing the new variety. It expects the Institute plant to be on stream in the fourth quarter.

Besides Hercules and Carbide, there are two other companies with Ziegler licenses—du Pont and Koppers, both with pilot plants. Mum's the word with du Pont on any building plans. Nor is it offering samples from its pilot plant on the Sabine River near Orange, Tex. Koppers—whose small pilot plant is at Korbuta, Pa.—hopes to open a 30-million lb. layout at Woodbridge, N. J., by yearend. Koppers is also jointly engaged with Brea Chemicals, Inc. (a subsidiary of Union Oil Co. of California), on a second 30-million lb. installation at Wilmington, Calif.

• More Ways—There's still a third process for producing low pressure polyethylene, developed by Standard Oil of Indiana. Licenses have been picked up by Spencer Chemical (with a pilot plant at Orange, Tex.) and Texas Eastman Co., a division of Eastman Kodak (with a semi-works under construction at Longview, Tex.). Neither is likely to be running a commercial plant before 1959, according to Chemical Week magazine, a McGraw-Hill publication.

Dow Chemical Co. and Monsanto Chemical Co. are both at work on low pressure polyethylene techniques. But neither has announced any intentions. Monsanto spokesmen say that they are operating a pilot plant and modifying some of their high pressure equipment to produce material of intermediate density. And Allied Chemical and Dye Corp. has developed still another low pressure process.

• Prospects—To most of the big plastics manufacturers, future plans hinge—in the last analysis—on how high density polyethylene from the first few plants—Celanese, Phillips, and Hercules—fares with fabricators.

It won't be clear until well into 1958 to what extent high density polyethylene will overlap with other plastics—such as nylon, low density polyethylene, and styrene. By that time, there will be more high density poly than can be absorbed by the immediate uses industry now envisions—high temperature electrical insulation, containers that can be sterilized, and monofilament fibers. From then on, the future will be up to new markets. If the new material follows the pattern of its older sister, the market will be hard to saturate. END

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Now that Gair has united with Continental, our tailor-made package service is complete. Whatever your packaging problem may be, Continental can solve it. Continental Can Company, New York 17, N. Y. Continental Can Company of Canada, Limited, Montreal. Gair Company Canada, Limited, Toronto 1, Canada.



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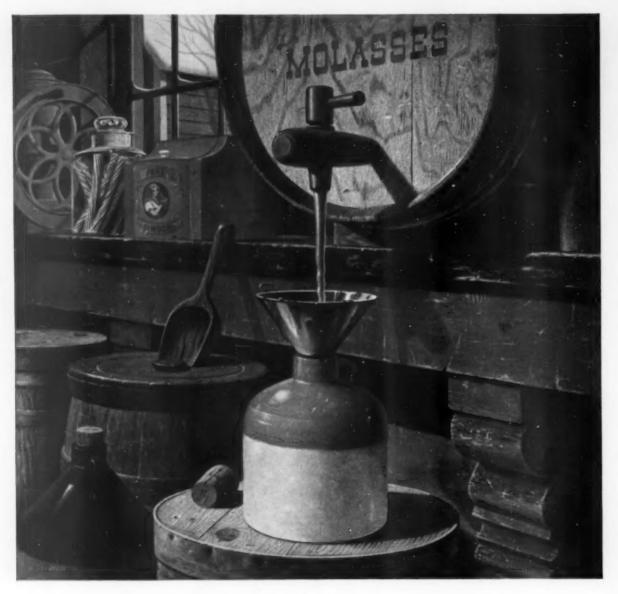
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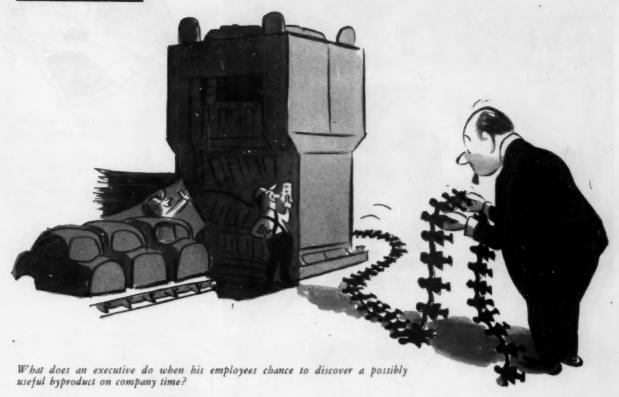


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# How to Cash In on Lucky Finds

Many companies that have research programs have had the experience of getting entirely unrelated inventions.

They have different ways of dealing with these chance discoveries—some even discourage them.

But most try to market the ideas elsewhere if they themselves have no use for them.

ORE THAN one executive has scratched his head when his staff chanced upon a completely unrelated byproduct of the day's work (cartoon).

There's a word for this kind of chance discovery of something useful. It's "serendipity"—a four-dollar way of describing what happens when a man winds up with a better mousetrap while he's working on how to keep people away from his door.

When it happens in business, this sort of thing raises problems:

 What does the employer do with the idea that has cropped up on company time? How does he find a profitable use for it?

 How does the employer respond to the discovery? Does he lay claim to patent rights, encourage the employee to patent his idea, or discourage him from such excursions outside his assigned field of work?

• It All Depends—BUSINESS WEEK reporters who asked a lot of companies how they deal with serendipity got an equal number of different answers. Most companies, they found, have no set policy on what to do with the ideas. That's because they find little consistency in what turns up. On the other hand, almost all companies have a set policy of tying up patent rights on discoveries their employees make on company time.

As might be expected, companies that are continually looking for new products or ways to diversify are active patrons of the art of serendipity. They pat the discoverer on the head, give him a sug-

gestion award or bonus in return for letting them patent the idea, and usually cut him in on the royalties.

But companies that have their economic niche and are happy with it are inclined to take a dim view of high-salaried engineers who wander from the job strictly at hand. They, too, will take over the patent rights, maybe even acknowledge publicly that they have genius in their midst. But they're also likely to tell the discoverer he'd better stick to the job he's being paid to do.

• Better Than Original—Sometimes screndipity brings a company a better development than the one originally sought. Companies where this can happen have to be especially on their toes to recognize the gift of fate.

Philco Corp. is the type of company where anything is likely to come out of lab work. Last fall, for example, there was a big fuss—and finally a league ruling—over National Football League quarterbacks who were "wired for sound" so coaches could call all the plays from the bench without wearying their substitutes in messenger duty. It was all because of serendipity at Philco.

Researchers at Phileo were working on a hearing aid one day when someone else was fussing with a new sound



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There's the guy who finds new things to make out of standard parts.

amplifier. The amplifier crew strung a wire loop around the room in which the hearing-aid people were working and hooked it up to the amplifier. It turned out that, anywhere inside the loop, the hearing aid would pick up the signal from the amplifier.

In the pro football league, the loops were buried in the turf, and the coach-guided quarterback wore the hearing aid receiver in his helmet. This use was finally barred by the league, but Philco expects there'll be a far broader market as a paging system than there is for the original hearing aid.

Like most companies, Philco reserves the rights to all such patentable devices that its employees develop. For an especially bright idea, it may pay a bonus to a group or an individual. The paging system rates as fairly routine.

• A Killer-W. A. Cleary Corp. also accidentally found a better than original use for a product. It had a chemical called phenyl mercuric acetate that seemed to have possibilities in eradicating plant fungus. The company sent it to Rhode Island State University for tests.

There the chemical fell into the hands of a groundskeeper who had more imagination than scientific discipline. He tried the stuff on some crab grass and reported excellent results. Cleary is marketing the proposed fungicide as a weed and grass killer, and the groundskeeper picked up a fat bonus.

• Homework—Sometimes the discovery is traceable to a man's attempt to solve a household or workshop problem. For example, a machinist at Rohr Aircraft Corp. came to work one day grousing about having to pay more than \$1 apiece for sprinkler heads for his lawn sprinkling system. On the job, he happened to be working with couplings, caps, clips, and small screws. To illustrate his point, he played around with a lockwasher, spring clip, pipe cap, and small bolt to assemble a sprinkler head that could retail at 10¢.

Under an agreement that all employees sign, Rohr took over the idea for \$100 and patented it. If it was an idea Rohr could use, that would be the end of it. Since Rohr isn't in the lawn sprinkler business, the machinist has a



#### Seattle library features exposed structural steel

Normally the role of steel in buildings is to supply the main strength element, while itself remaining in the background, hidden beneath other materials. Now steel is more and more coming out into the open. Architects are increasingly recognizing that, in addition to providing unequalled strength, steel can often contribute to the aesthetic phases of design.

Among recent buildings in which Bethlehem steel beams and columns are pleasantly blended into a cool, attractive interior is the Northeast Branch of the Seattle Public Library, designed to accommodate 27,000 books. The photograph above, offering a glimpse of the library interior through the broad entrance, gives a clear impression of the clean, functional lines that mark the building.

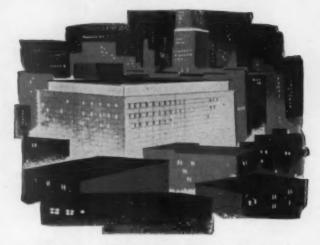
While helping to make the building more appealing to the eye, the exposed Bethlehem steel beams, strong enough to span one-half of the library's width, made it possible to eliminate a number of supporting columns, thus allowing large areas of uncluttered space.

Two awards have come to the architect, Paul Thiry, in recognition of his pleasing and original design: an award from the Seattle Chapter of the American Institute of Architects, and an honorable mention in the Gold Medal competition of the Architectural League of New York. The Northeast Branch is one of many new libraries, schools and other structures that are using exposed steel to excellent effect.

BETHLEHEM STEEL



# Clarke's in, dirts out-fast at Procter & Gamble



Clarke-A-matic Floor Maintainer, the cleaning machine used at Procter & Gamble's new 11-story office building, cleans big floors — fast. This new Clarke self-propelled maintainer is capable of cutting cost by scrubbing at speeds up to 28,200 sq. ft. per hour, 20 times faster than mopping. It meters solution, scrubs, rinses, picks up dirt and solution — and dries, all in one quick pass. If you'd like to spend less on large floor maintenance, let Clarke-A-matic cut your costs by doing the job fast . . . as it does for these users:

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And the fellow who thinks up new uses for the company's product.

chance of getting still more out of his invention. He's looking for someone to market the 10¢ sprinkler heads; if he's successful, he will get 30% of the first \$1,000 of royalties, 25% of the next \$1,000, and 20% of anything more.

 Bigger Markets—It's not always the product itself that's discovered through serendipity but new uses for a product.

Douglas Aircraft Co. was dissatisfied with the kraft paper honeycomb material it was getting from suppliers, for use in reinforcing the light metal skin of aircraft interior panels. It developed its own honeycomb and formed a subsidiary to sell it to other aircraft builders.

Someone happened to remark that the material should be equally useful in other uses, and these other markets were explored. Now, 75% of the honeycomb originally designed for Douglas airplanes is sold to outside companies for such things as home insulation, boat hulls and superstructures, and steel office furniture.

Douglas follows a policy of patenting inventions and paying a royalty to the inventor for any use of his idea by outside companies. Some 25 or 30 Douglas employees are fattening their income by such royalties.

• Decontamination—When the government asked Whirlpool-Seeger Corp. for advice in getting radioactive contamination out of clothing, the company's nuclear research group found the answer all right. But it took two steps—the first treatment got the radioactivity out of the clothing but left it in the water; the second got it out of the water.

The process for decontaminating the water chanced also to be so successful as a water softener that Whirlpool-Seeger is developing it for commercial use. A machine for softening water will go on the market later this year.

 From Thin Air—A classic illustration of serendipity comes from Bell Aircraft Corp., where a research group working on electronic instruments for guided missiles came up also with an electronic weighing device for conveyor belts.

The device weighs and automatically controls the flow of materials such as sand, gypsum, or coal. That's pretty far afield for an aircraft company, so Bell

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Three minutes ... and Lincoln had delivered his immortal Gettysburg Address.

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"Lincoln's address at Gettysburg" reprinted from Harper's Weekly Feb. 10, 1900



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Baltimore & Ohio Railroad

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set up a subsidiary called Bell Automation Corp., in Rochester, N. Y., last summer. This company manufacturers and markets the electronic weigher known as Electro-Way.

The engineer who had the bright idea was rewarded by being made one of the top executives of the new company.



#### Push-Button Fishing

The picture above shows automation getting its sea legs. Hauling in long heavy fish nets through hundreds of feet of water is a tough job. Now you push a button, and the net is automatically fed through a motor-driven aluminum alloy block suspended from the boom. The block receives its pulling power from the fishing boat's engine through a hydraulic hose line.

The block is being sold to salmon, tuna, herring, pilchard, and mackerel fishermen in this country and in Iceland, Portugal, French Morocco, South Africa, Peru, and Norway. According to Marine Construction & Design Co., the manufacturer, the power block cuts the crew size and increases the boat output. On the Atlantic Coast, menhaden (herring) fishing boats that usually require about 25 men can eliminate 10 by using the power block; and output runs from 10% to 20% higher.

The Puretic power block is available in sizes ranging from 12 in. to 35 in. in diameter. The largest stands approximately 5 ft. Prices range from \$400 to \$3,000

#### New Leather Treatment

Suede leather can now be made waterrepellent and oil-resistant by treating it with Minnesota Mining & Mfg. Co.'s new Scotchgard process (BW-Oct.6 '56,p197).

The fluoro-chemical treatment is applied to the suede during the wet processing that follows tanning; it takes the place of the usual fat-liquoring step. It adds 3% to the weight of the leather,

How DETECTO Scales help solve industry's problems

# DETECTO sustains accuracy despite terrific beating!

Bulk packing area where battery of Detecto Scales facilitate work in shipping department. Handles **SHOCK LOADS** in General American Transportation's

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The Parker-Kalon division of General American Transportation Corp., originators of famous PK Self-tapping Screws, inflicts severe punishment on a battery of DETECTO Scales that would ruin many ordinary scales.

In a highly modern operation that requires precision weighing at various stages of production, heavy tote pans of self-tapping and socket screws, screw nails and masonry nails, wing nuts and thumb screws are weighed on DETECTO Scales in rapid succession.

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but it forces oily and watery staining fluids to bead up on the surface of the suede, where they can be easily removed by blotting or wiping.

The treated suede is said to be softer than untreated suede. It retains its fluid-repellent properties after dry cleaning or steam pressing without any additional treatment.

At present the new suede will appear in men's and women's garments. But leather tanneries are experimenting with its use on pigskin, calfskin, cowhide, sheepskin-grain leather, upper shoe leather, and upholstery leathers. Leather with the new finish is being offered to manufacturers by John Flynn & Son, Inc., of Salem, Mass., and A. C. Lawrence Leather Co. of Peabody, Mass.

#### **NEW PRODUCTS BRIEFS**

A wraparound bumper provides collision protection in all directions. It consists of a 6-in.-wide bar that encircles the car at frame height, and is hinged to eliminate interference with the doors. Additional bars that can take the weight of the car encircle the roof. The bumpers are manufactured by National Safety Bumper Co., Denver, Colo., and cost between \$275 and \$350.

A water filtration unit that hooks into the water line is said to eliminate submicroscopic particles from the water down to 0.1 microns in density. Heico Filtration Units are available for general filtration and for a variety of special uses such as in photo labs, analytical labs, and nucleonics. They are manufactured by Heico, Inc., Stroudsburg, Pa. Prices range between \$115 and \$190.

A new weed killer, Weedazol, kills poison ivy and Canada thistle in one season with one application, and poison oak in at most two seasons with two applications, manufacturer American Chemical Co. claims. The chemical is not toxic to humans or animals at required concentrations, does not corrode sprayers, and is not harmful to the soil or to most other plants. It costs \$18 to \$20 per 100 gal. at recommended concentrations.

Colored clay bricks that could have a far-reaching effect on architectural design have been developed at North Carolina State College. They are resistant to acid and stain, are made of red clay but come in virtually all the colors of the rainbow, and have a natural, soft, non-glossy look. They are priced competitively with standard clay brick.



Whatever your industry . . .

Between picking and packing, the value of these potatoes is increased by cleaning them with long-lasting TYNEX nylon bristles.

# Brushes with Du Pont TYNEX® nylon bristles lower costs by performing better, lasting longer

Brushes with TYNEX nylon bristles in the processing machines of the Russell Brothers Packing Plant, Fort Fairfield, Maine, are helping farmers in that area command premium prices for their potatoes.

These brushes thoroughly clean dirt from hard-to-get-at places with a minimum of water. They do not injure the potatoes nor do the bristles break off and contaminate the produce. A set of brushes with Tynex nylon bristles lasts through the proc-

essing of 250 carloads, each carload containing about 300 barrels of potatoes. The estimated brush costs come to less than 30¢ per carload! Since washed potatoes bring as much as 15¢ to 25¢ more per bag than unwashed, this is a very profitable operation.

Many industries, large and small, are taking advantage of the top performance and long-range economy of brushes with TYNEX nylon bristles. Though slightly higher in initial

cost, they wear longer and perform better in contact with heat, rough surfaces, water, detergents and oils. The result — fewer replacements and greater economy.

YOU, TOO, can improve your operation and lower your over-all costs by using brushes with TYNEX nylon bristles. And remember that you can also get all the advantages of TYNEX nylon bristles in your paintbrushes. For more information, mail the coupon below.

Specify brushes with



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# RESEARCH

DIRECTORS Dr. Paul C. Tompkins and Capt. Richard S. Mandelkorn supervise lab activities.

TAKE ANOTHER look at that solemn mass of concrete (picture). It's a two-year-old six-story office and laboratory building that hugs the shore of San Francisco Bay, oblivious to some of the Golden Gate City's finest scenery.

If the U.S. Naval Radiological Defense Laboratory has assessed properly the facts of life in the atomic age, many businessmen may be itching for an office building like it one of these days. For NRDL, whose home it is, regards it as the prototype of industrial and commercial construction of the atomoriented future.

Research Center-Behind those windowless walls at the Hunter's Point Naval Shipyard, the Navy is carrying on a unique research program. A staff of some 300 scientists, backed up by another 200 technicians and administrative workers, is measuring the effects of nuclear weapons on people, on communities, on military and civilian targets of all kinds. Currently, the lab is working on a military method for decontamination of habitable areas that is readily adaptable for civilian use.

The building's austere facade is not intended to thwart unwelcome attention (actually, a good third of the work done there is unclassified). Rather, the unbroken concrete walls reflect the sober judgment of the men behind them that, in the atomic age, windows are second only to the bomb itself in deadliness.

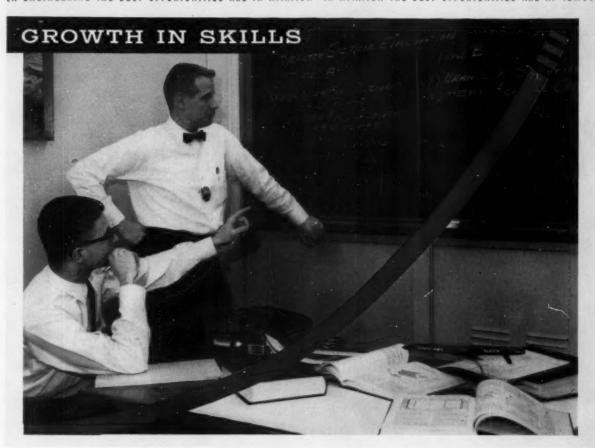
NRDL was established in 1946 by the Navy's Bureau of Ships to figure out how to decontaminate the ships that participated in Operation Crossroads at Bikini. From that starting point, its job has grown to encompass the whole problem of radiological de-

### Navy Builds Itself An Atomic Age Lab

Behind a concrete, windowless fortress in San Francisco, scientists are seeking ways to protect installations and civilians from the dangers of radiation in an atomic attack.



FLASH Intense heat focused on small disk of pine wood for two to four seconds results in a flare that simulates the explosion of a real atomic bomb.



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Growth — in engineering skills, for example, tells the Temco success story.

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Similar growth in management and production skills has equipped Temco successfully to translate its own



and other designs into jet aircraft, missiles and weapons systems.

This continuous growth of engineering capabilities is creating new opportunities month by month. If you are looking for a challenging opportunity in aviation, you'll find it at Temco.

Mr. Joe Russell, Engineering Personnel Room 10-F2, Temco Aircraft Corp., Dallas, Texas

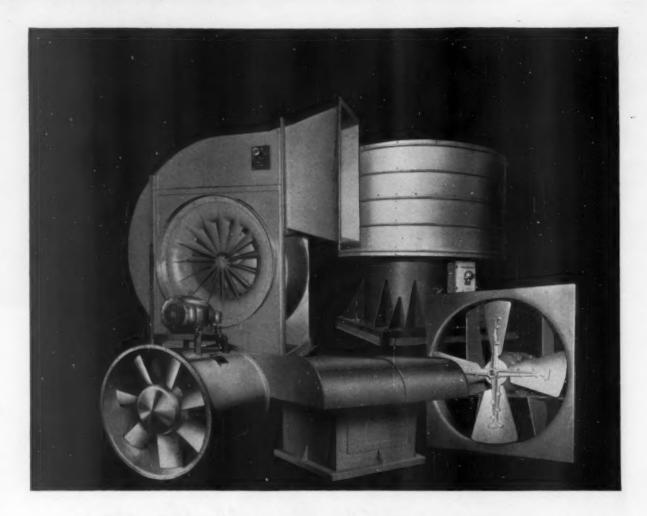
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"Buffalo" offers you this complete selection in propeller, axial flow and centrifugal fans. For instance, for large ventilation systems, you have a choice of type BL Fans for highest efficiency in Class I; and the new type BLH for peak performance on high pressure work. For mechanical draft and other heavy industrial work, you can select radial, airfoil, backward curve or forward curve fans to match your requirements exactly. "Buffalo" Propeller Fans are built in 8" to 144" sizes to deliver up to 250,000 cfm — also available as package roof ventilators in many sizes. You can order rubber-lined exhausters, stainless steel fans, high-temperature fans, low-temperature fans, non-sparking and many others.

And beyond this, "Buffalo" engineering, testing and manufacturing facilities — working constantly without fanfare — are ready to work out the most specialized and difficult air problem you may have. Write for recommendations today!

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#### STORY starts on p. 114

fense. It's the only laboratory in the country that's attacking both civilian and military facets of the problem.

• Coming News—You'll be hearing more about NRDL soon, for the laboratory has been drawn into the potentially explosive squabble over the status of civilian defense. Rep. Chet Holifield (D-Calif.) is fostering a bill to heave out the federal Civil Defense Administration and replace it with a Dept. of Civil Defense with full Cabinet rank.

A couple of weeks ago, Holifield hauled the laboratory's three top men to Washington for questioning before his military operations subcommittee.

The NRDL men danced nimbly around the political aspects of the proposed upheaval. But they made no secret of their judgment that the nuclear weapon of megaton-vield, in the hands of an enemy capable of delivering it in large numbers, makes hash of the dispersal theory as a primary instrument of defense. No matter how precise the enemy's aim, they told the committee, a shower of 200 such bombs could blanket the U.S. with lethal fallout and create a major radiological problem.

"Since survival is a necessary prerequisite for recovery," said Capt. Richard Mandelkorn, director of the lab, in his most elegant Pentagonese, "we regard the development of an effective shelter system to be of the highest

priority."
Dr. Paul C. Tompkins, scientific director, and Walmer E. Strope, head of the lab's military evaluations group, described the "effective shelter system" that the San Franciscans have in mind.

• Order of Safety—Tompkins and Strope divided the shelter requirements into three groups in ascending order

of safety:
Class I shelters would accommodate about 100 people, be stocked with food and water supplies for two weeks, have some kind of sleeping accommodations (they submitted rough sketches). If underground, they would be protected by 3 ft. of soil; if above ground by 19 in. of concrete—in either case enough to shield occupants from gamma radiation. They estimated costs at \$30 per

person.

Class II is a modification of Class I. conceived for areas where firestorm is a hazard. Fire can suck the oxygen from a shelter, replace it with carbon dioxide, and suffocate the occupants. A means of sealing the basic shelter, of extracting the carbon dioxide and supplying oxygen, would make it Class

Class III is a deep tunnel shelter for densely populated areas—Manhattan, for example. In its most refined form, it would protect humans within the



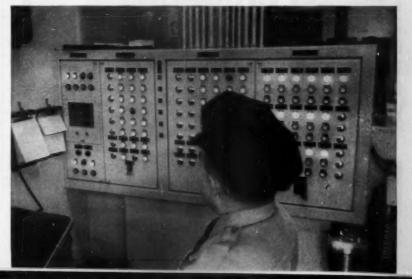
SUPPLY ROOM Supermarket-type distribution permits workers to help themselves to anything from Kleenex to vacuum tubes to stainless steel beakers.



"HOT" LAUNDRY Attendant explores with Geiger counter every piece of used lab apparel. Anything "hot" is washed in special laundry machines.

CONTROLS

Panel board just inside main entrance registers any interruption of utility services or safety equipment in the building.





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UNIT			

"... it would cost \$20-billion to build appropriate A-bomb shelters for everyone in the U.S...."

STORY starts on p. 114

area of the fireball at an estimated construction cost of \$200 to \$300 per person. A much less expensive variant would shield occupants against blast overpressure of 25 psi.—the equivalent of the blast that leveled Hiroshima.

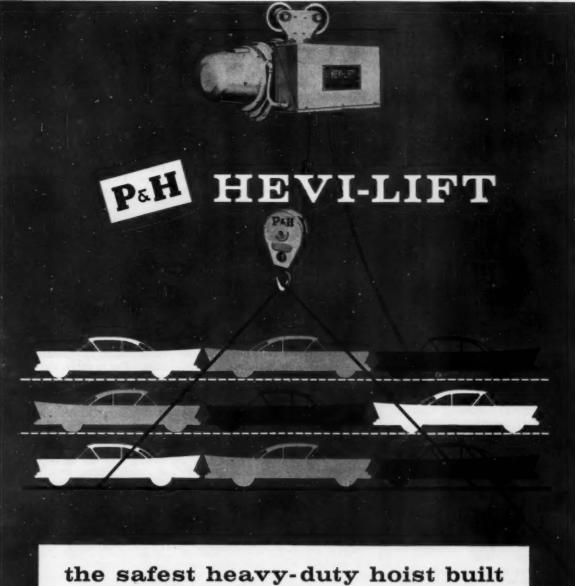
How much would it cost to provide the appropriate class of shelter for everybody in the U.S.? Without engineering studies, NRDL estimates it at \$20-billion over a five-year stretch.

• Experts' Choice—Mandelkorn and his associates are deeply concerned about our readiness to cope with nuclear attack. They have participated in all U.S. field tests of atomic weapons, and have pushed their studies of damage and fallout into exotic realms. The best evidence of their sobering conclusions is the laboratory they built two years ago. With its welded steel frame and concrete walls varying from 6 in. to 12 in. in thickness, they rate it a Class I shelter.

 Safety Measures—The only exterior glass in the building is at the main entrance and around the penthouse cafeteria, which can be sealed off from the rest of the building. Besides eliminating the hazard of flying glass, the solid walls protect occupants against thermal flash, which can ignite anything combustible in a room before the shock wave of the blast shatters the windows.

Each floor is independently heated and cooled and the air filtered by its own mechanical ventilating system. No air is recirculated. As an additional safety measure, the more hazardous functions of the laboratory are on the upper floors, so that exhaust fumes can be liberated through stacks that don't pass through other departments. For example, the Chemical Technology Div. investigating radioactive contamination and methods of decontamination, is on the top floor. Biological & Medical Sciences Div., studying effects of radiation on people as mirrored in their experiments with animals, are on the fifth floor. The Nucleonics Div., concerned with design of instruments for detection and measurement of radioactivity, is on the fourth.

In the normal course of events, about the only way any radioactivity can get below that level is on the laboratory coats, coveralls, gloves, and towels used in the "hot" labs. These are taken directly to the atomic-age laundry on the first floor and explored with a Geiger counter. If they're hot, they're washed and rewashed, right there, in



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TECHNICAL PAPERS FOR INDUSTRY

the lab's own laundry machines, until they test clear. Wash water is captured in drums that are dropped at sea. All uncontaninated apparel goes to the shipward laundry.

• Equipment—The lab is equipped with the kind and variety of scientific instruments that you would expect to find, including a 2-million-volt van de Graaff electron generator housed in a separate building. The lab also has a 60-in. concave mirror source and a modified Mitchell background projector source, which makes it possible to duplicate over a small area any thermal pulse that an atomic weapon can put out. In addition, the lab has a 256-channel gamma ray analyzer. And Mandelkorn has asked the Navy for a cyclotron and a computer.

 Versatile Features—Aside from the scientific equipment, the office building of the atomic future has some functional features that would lend themselves readily to nonscientific pursuits.

For vertical transportation, the building has only one passenger elevator and one freight elevator. The bulk of movement between floors is by two-speed, reversible escalators—a big time saver.

In place of the conventional supply room manned by sometimes leaden-footed attendants, the NRDL lab has the equivalent of a fair-sized supermarket complete with self-service carts. From an inventory currently valued at around \$150,000, you help yourself to any of some 4,600 items from paper clips to rare chemicals, and sign a voucher at the checkout counter.

Windowless Walls—Without windows, the building is dependent on artificial light. Banks of fluorescent fixtures supply illumination that is both uniform and adequate. In case of power failure, a standby diesel generator provides emergency lighting.

NRDL people are sold on windowless construction for much more than safety reasons. It's faster and cheaper to build. There are no windowshades and draperies to buy. Air conditioning is vastly more efficient when the area is encased in concrete. Maintenance is reduced-no window washing. Extraneous visual distractions are eliminated, speeding up work and permitting concentration. Petty office morale problems such as who gets the desk by the window never arise. And Mandelkorn figures that the laboratory gained about 25% of usable floor space by omitting windows-you can't put a filing cabinet or a laboratory bench against a window. At around \$30 per sq. ft. (\$8-million for 260,000 sq. ft.), the dollar saving is substantial.

 Medical Research—In 10 years, the laboratory has accumulated a vast inventory of information about the effects of radiation and an ever-widening body of data about collateral matters (BW— Jun.16'56,p32). The Biological & Medical Sciences Div., for example, in weighing the effects of radiation on the organs of the human body, has come up with findings that cast new light on the liver and its afflictions, cirrhosis and hepatitis.

The division's work in that field has been recognized to the extent that a couple of months ago its scientists conducted a worldwide seminar on the subject in the lab's auditorium. They've succeeded in keeping alive and functioning the removed liver of a rat by supplying it with mechanical heart and lungs. They've performed a resection on the diseased liver of a rat and sewed him up as good as new-something never done with a human liver. They speak with great caution about a technique for overcoming artificially induced leukemia in a rat by injecting spleen homogenate. In 85% of their tests they saved the rat's life.

• Testing Ground-The Nucleonics Div. tests prototypes of commercial instruments for the Bureau of Ships, to see if they will stand up under service use. It also develops instruments andthrough the Bureau of Ships-makes them available to commercial manufacturers. For example, the division developed a high-range beta gamma portable survey meter that is being manufactured by Admiral Corp. for service tests. On the same basis is a new-type reader for crystal dosimeter, being manufactured by Specialty Engineering Co. of Brooklyn, N. Y. This division also has developed detectors of various shapes, sizes, and uses-including one for use on a warship that tells the captain, who has scrammed below, when the bridge is safe.

The Chemical Technology Div. has developed a decontaminating shower bath for ships exposed to radioactive fallout, and has just completed field work on a method for cleaning up the Navy's shore installations that might be exposed.

• Leader—Of necessity, the Navy took the lead in radiological defense research. It had to decontaminate its ships. And in the follow-up, the Navy has continued to pick up the tab for the cost—S8-million for the building, S4-million for the equipment, around 55-million a year for operations, including participation in periodic field tests of nuclear weapons.

Other arms of the service as well as the civilian population share in the results. Both the Army and the Air Force have liaison men at the laboratory, and the Marines have been invited aboard. The public cashes in because nuclear weapons have the same effect on people whether in uniform or in mufti, and NRDL realizes that unless people can survive atomic attack, all the rest is academic. END

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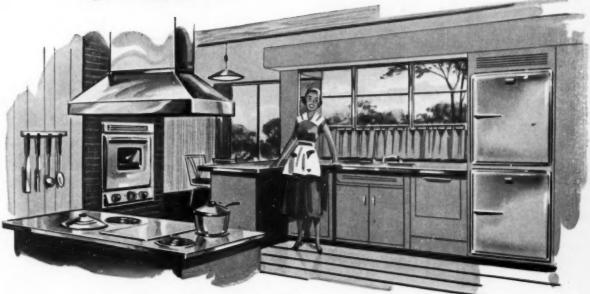
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THE BUILDER has had long experience with Stainless Steel. It's easy to install, does not chip or peel, and its beautiful finish presents no problem on matching or replacement.



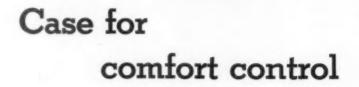
**the owner** likes living with Stainless Steel. It's always gleaming and beautiful, cleans with a wipe, and lasts forever. And, to complement her kitchen she loves to own those shiny pots, pans, tableware, and appliances, all made of Stainless Steel.

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Control box of Tenite Acetate plastic

Cranford, N. J., for Fieldcrest Mills, Inc.,

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molded and decorated

by Madan Flastics, Inc.,

A twist of the knob on the handsome plastic case, and the lady has dialed the precise amount of heatand comfort-that will be maintained through the night by her new automatic blanket made by Fieldcrest. She probably hasn't given a second thought to the little control box she adjusted so easily.

The manufacturer, however, thought about it quite carefully when he chose Tenite Acetate as the material for the case. Why this plastic? First, because it offers a fine, handsome finish and a wide selection of brilliant colors that are part of the plastic and can't chip off. And second, because its toughness means durability for the end-product.

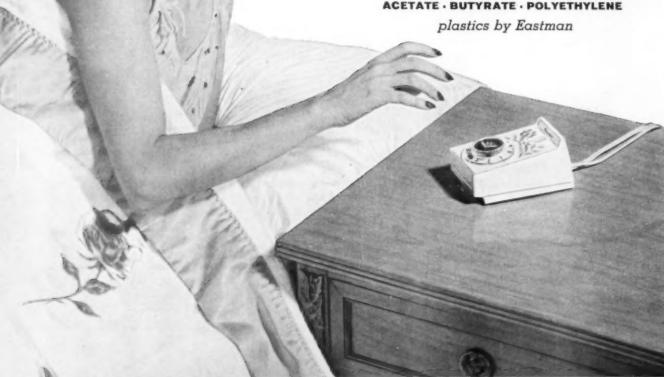
Yet, with all these advantages, Tenite Acetate is actually more economical than many other molding materials. Manufacturers of everything from toys to clocks, from shoe heels to lamp shades, have found they can make quality products at lower cost when they use Tenite Acetate.

If you need a material that is beautiful, serviceable, and economical, look into the properties and advantages of Tenite Acetate-as well as of Eastman's two other plastics, Tenite Butyrate and Tenite Polyethylene. For more information, write to EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSPORT, TENNESSEE.

1932 - EASTMAN'S 25TH YEAR IN PLASTICS - 1957

# TENITE

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#### In Research

#### Rock Temperatures That Faded Eons Ago Still Point the Way to Ore Deposits

A sort of geochemical "thermometer" that can test rock temperatures that ceased to exist 250-million years ago have been evolved by the California Institute of Technology. And Dr. Robert P. Sharp, head of Cal Tech's Geological Div., says it may be the 20th Century's biggest single contribution to the art of prospecting for minerals.

Put simply, the system consists of measuring the ratio of ordinary oxygen to a rarer lighter form of oxygen in

rock formations.

Geologists have known for a long time that the greatest deposits of metals were formed millions of years ago when hot fluids, carrying the metals, forced their way into carbonate rock formations such as limestone and dolomite. The intruding fluids, permeating out from their main concentration, heated the surrounding rock and caused certain changes in the "haloes" thus created.

The Cal Tech study—concentrating on Leadville limestone, a sedimentary formation in central Colorado that contains some of the richest U.S. deposits of gold, lead, and zinc—sought two main goals:

More knowledge of the physico-chemical properties

of the ore deposits and their haloes.

 A pattern in the makeup of the haloes that would serve as a signpost pointing to the central ore deposit.

Field work, which began in mid-1954, was supported by the U.S. Geological Survey. The key instrument used was a special mass spectrometer developed at the University of Chicago by Dr. H. C. Urey, a Nobel Prize winner.

Eventually, the Cal Tech team discovered that the proportion of lighter oxygen was highest in the rock nearest to the ore deposit, and that it dwindled progressively at points farther and farther away from the central core. Apparently, the ratio depends on the degree to which the rock had been permeated and heated in the distant ages when the world was remaking itself.

#### Army Plans a Solar Furnace As Hot as a Nuclear Blast

A solar furnace that can match the heat of a nuclear blast will be set up by the Army Quartermaster Corps at its Research & Engineering Center at Natick, Mass. The furnace will be used for testing materials designed by the QM for protection of military personnel against extreme heat.

A solar furnace works on the principle of the burning glass, collecting the sun's rays and concentrating them in a small area (BW-Jan.26'57,p117). In the QM version, the four main elements will be a heliostat (or flat collector mirror), an array of concentrating mirrors, an

attenuator (or Venetian blind type of shutter), and a test chamber.

The foundation, mechanical framework, and drive mechanisms will be built at a cost of \$85,000 by D. S. Kennedy & Co., Cohasset (Mass.) maker of radar reflectors and radio telescopes. The QM Corps itself will design the optical components.

#### Air Force Wants to Know What Gives If a Meteor Socks a Space Ship

What would happen if a meteor, hurtling through the upper atmosphere, crashes into a guided missile or a space ship? The Air Force wants to know, and the Armour Research Foundation at Illinois Institute of Technology is trying to evolve an instrument that can test such high-speed phenomena.

Under Air Force contract, the Foundation is studying the applications of electromagnetic principles to a linear accelerator that can move small bits of test materials

at the immense velocities required.

Electromagnetic acceleration relies on the interaction of magnetic fields and electric currents. Its advantage for testing the effects of impact and air friction in the upper atmosphere is that in theory at least it can achieve any velocity up to the speed of light. Present laboratory speed potentials are much lower.

#### Human "Guinea Pig" Cancer Tests Enter Third Phase in Ohio Prison

The third phase began last week in "human guinea pig" cancer experiments at the Ohio State Penitentiary in Columbus. Live cancer cells were implanted under the forearm skin of 53 volunteer inmates.

The research program—conducted by the Sloan-Kettering Institute and the College of Medicine at Ohio State University—began its systematic step-by-step assault on

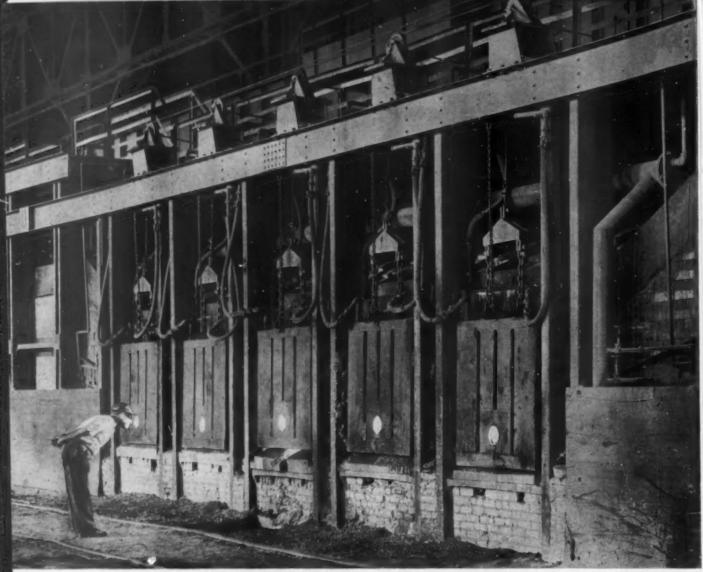
cancer three years ago.

In the first test, 15 volunteers, already suffering from incurable cancer in an advanced state, were implanted with human cancer cells of types different from those already afflicting them. In 13 of the patients, the implants flourished until they were removed from one to six weeks later. In four cases, the cancers recurred and flourished after the original implant had been removed. Investigators at this point concluded that a cancer victim has little defense against further cancer inoculation.

In the next step, started last May, 14 healthy volunteers were implanted with the same type of cancer cells that had been used in the first phase. In every case the cells were vigorously rejected; those implants that were not removed surgically disappeared on their own within

four weeks. There were no recurrences.

In the third phase just started, these volunteers who had been used before were implanted with cancer cells different from those they had received earlier. The object is to find out whether healthy persons react differently to different types of cancer cells.



Safely shielded by Blaw-Knox water cooled doors, the melter peers through small wicket hole to observe the condition of the flame and the bubbling bath of molten steel inside the white hot open hearth furnace

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It may sound impossible to operate steel doors in temperatures higher than the melting point of steel. Yet Blaw-Knox patented water cooled doors are operating in those steel-melting temperatures, twenty-four hours a day, for months at a time.

Here's how it's done. Blaw-Knox welded steel doors are designed and built in the form of hollow water jackets. And the continuous cooling action of water running through the jackets prevents the doors from melting. In fact, the doors provide a cool shield that protects men who must work in front of the furnace—like the melter in the picture, who stands close to the furnace, yet wears no special safety clothing or equip-

ment except dark glasses. Blaw-Knox water cooled frames assure easy action of the doors—which must be raised and lowered for recharging and repairing operations.

The end results of using this specially designed Blaw-Knox water cooled equipment are less down time and more production in open hearth operations.

But these are only two of the many engineered products Blaw-Knox makes for the metals industry—and for the construction, public utilities, processing and other industries. For an informative look at our many products and services, write for your copy of "This is Blaw-Knox."

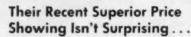


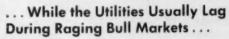
#### BLAW-KNOX COMPANY

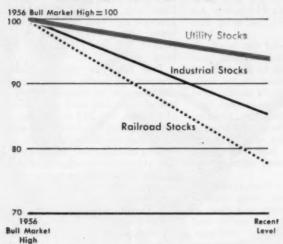
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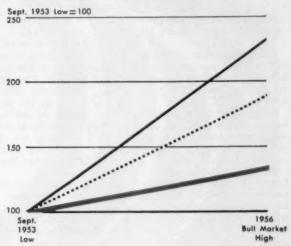
#### FINANCE

#### Wall Street's Latest Tip: Don't Overlook the Utilities

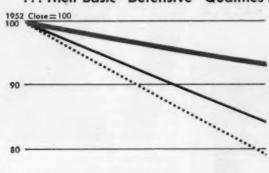


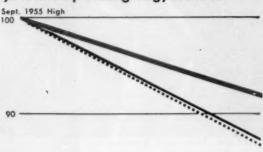






#### ... Their Basic "Defensive" Qualities Always Show Up During Edgy Markets

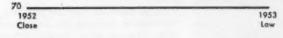




1955's Two-Week "Heart Attack" Drop

1953's Nine-Month Sell-Off

80 \_\_\_\_\_\_ Sept. 1955



Data Standard & Poor's Daily Stock Price Levels.

#### The Favorite Port in a Storm

Prudent investors these days are casting cautious eyes on the fiscal storm cellars. And they can find in the charts above the "take shelter here" signs pointing to what has traditionally been the favorite of all havens: the electric utility stocks. There are all kinds of defensive common stocks—probably far more than the average investor realizes—but among them all, the utilities are

the old standby. And the charts show

The new interest in defensive shares got going in its quiet way some time before the clamor over the present No. I debate: Did the record boom market that began in June, 1949, actually reach its final high point early last August (page 175)? For it took no such question to make the cautious in-

vestor remember that the Street's pet yardsticks do not always measure accurately. Notably, the over-all averages, merely drifting downward, have given no indication of the tumbles taken since last summer by many individual stocks-falls that one observer says are "worthy of a full-dress bear market."

Weeks ago, this type of investor

October

"Heart Attack"

Low

noted how the sloppy price action of the market was persisting. And he decided to do something about it. Egged on by a few farseeing experts, he began to get his "estate" in shape to weather whatever storms might come.

· Little Dumping-So far, the trend to caution has brought no indiscriminate dumping of stocks. Rather, it has taken the classic forms of building up eash reserves, cashing in paper profits on boom-type holdings, upgrading the quality of holdings, and switching out of cyclical shares-even the bluest chips -into defensive stocks.

Such moves aren't always easy. Building up reserves and upgrading can both be rough on the investor who counts on dividends for needed in-

Despite the rise in money rates, saving account interest can rarely match the income from many stocks; bond yields and blue-chip dividends seldom equal the return from riskier stocks.

All this leads the investor straight toward the defensive shares in general, and to the electric utilities in particular. Historically, the producers of electricity have been good holdings in such uncertain times as now, and at that earlier period of which Standard & Poor's Corp. said that "the trained economist, let alone the average investor, finds it difficult to peer very far into the future.'

• Slow Rise-During bull markets, these virtues of the utilities are often forgotten. The shares do float along with the upward tide, but they're rarely on the crest. Gains are generally se-

date and below average.

Once the market weather turns gusty, though, there's a rush for the utilities, and their long noted year-by-year stability. It's a rare industrial or rail blue chip that can claim equal consistency, either in times of real storm or of

merely frisky weather.

Take 1949, when the economy had its worst postwar bump. The Federal Reserve Board's production index fell 8.3% below the previous year, industrial earnings were off 11%, net income of railroads down 37%. But the electrical utilities actually increased gross revenues by 7% and net earnings by 15%-a fat \$100-million.

· Falling Costs-The explanation is simple enough. Deflation-at least in the early stages of a recession-actually helps the earnings of electric utilities. The rates charged by the utilities are fixed by public regulatory bodies, hence they do not change quickly. So, as costs drop, the trade's profit margin widens. Even gross revenues don't fall off so much as the rest of the economy, because what drop there is comes mainly in low-rate, low-profit industrial

You might thing that, in good times,

the very factors that make utilities pretty much depression-proof would work in reverse, as inflationary pressures push costs up. But this just doesn't happen, as the industry's postwar record shows.

Gross revenues have moved upward steadily. Last year they reached a record \$7.5-billion, almost 9% above 1955 and 21 times the 1946 mark. Net earnings after all charges also flourished fatly; last year's \$1.8-billion was 8% better than 1955, and more than

· The Why of It-All this is strictly a deviation from the belief that good times are not so good for regulated industries. One big reason for the deviation is the utilities' faith in the economy. In the past 10 years they have spent \$23-billion on new facilities, more efficient and cheaper to operate. Increasing use of this new plant has helped the utilities hold down their costs better than most other groups have done.

It is claimed that a modern 100,000kw. generating plant needs only a quarter as many workers as a plant of the same capacity 30 years earlier. And less fuel is needed. By the 1946 average, it took 1.29 lb. of coal to produce

#### Pushbutton Bet

Horse track devotees will have it easier than other types of speculators if this automatic, self-service pari-mutual window gets into wide usage. The better buys a semi-blank ticket, shoves it into the machine, and pushes the button for the horse whose chances he likes. The machine stamps the ticket with all appropriate data and returns it to the better. This speedy road to riches or something is demonstrated here by its developer, Van Dyke Hill, president of New York's Pari-Mutual Equipment

1 kwh. of electricity; last year the average was 0.93 lb. One plant now being built expects to get by with only 0.6

Over-all, the utilities have actually been able to reduce the salary and wage slice from each revenue dollar, despite heavy inflationary pressures. Last year, payroll consumed only 17.6% of gross, compared with 18%-plus last year, 20.5% in 1951, and 20.1% in 1946. Fuel costs were also held in check. Last year they took 16.4% of gross, the lowest since 1947 except for two years-15.9% in 1955, and 15.7% in

· Tax Bite-The utilities naturally have not had similar success in combatting the cost of taxation. Last year, federal, state, and local levies devoured \$1.8-billion, or 23.8%, of the gross revenue dollar. Except for two wartime vears, that was the highest ever.

Even on taxes, the utilities for a long time enjoyed a considerable offset. The gigantic expansion program could be financed quite cheaply, because of the easy money policies of the New and Fair Deals. Although huge amounts of bonds were sold, the ratio of interest requirements to gross revenues dropped persistently and sharply. Thus by 1955 the ratio was only 6.4%, compared with the lofty 17.8% in 1936.

Of course, recent events in the money market may change all this, but the effect won't be noticeable for some

Utility earnings have also been helped by the changing attitude of both state regulatory bodies and management itself as to what constitutes an adequate rate structure. The regulators have come increasingly to recognize that rate boosts are needed from time to time to meet rising costs and to attract the new equity capital with which the trade supplements debt money in paying for its expansion. The companies themselves have been more willing to seek rate raises, and to seek them aggres-

· Stock Sales-In this happy world of the utilities, there are, of course, some flaws. One of them is the immense amount of new stock they have had to sell. Just last year, utilities sold \$285million of new common and \$248million of preferred. And the figure is expected to go up this year, since plans call for \$3.7-billion in expansion spending, as opposed to \$2.9-billion in 1956.

Even the effects of this dilution can be overestimated. Moody's Investors Service says that 70 of the trade's 130 major producers actually upped their dividends last year. This year, says Moody's, utility gross should rise another 8%, earnings 7½%. The Investors Service predicts that there will be "about as many dividend increases as in



#### Boilers need "purer" drinking water than you do!

Thirsty industry gulps fabulous amounts of water daily ... 50,000 gallons in producing a ton of paper, 65,000 gallons to turn out a ton of finished steel. Oddly enough, much of it must actually be more pure, by chemical analysis, than the water that comes from your faucets at home. And it's that chemical work horse, soda ash, that helps make it so.

Take such a well-known water consumer as our good friend, the boiler.

Modern high-pressure boilers evaporate up to a million or more pounds of water per hour, to provide steam for generating electrical power. At these tremendous rates of evaporation, the presence in the water supply of even the smallest amounts of scale-forming materials or other impurities creates havoc . . . scale builds up to coat internal heating surfaces, overheating and boiler failure result.

To prevent this, the boiler water is treated to make it chemically purer than the water you drink. Here soda ash plays an important role in conditioning raw water for removal of calcium and magnesium hardness compounds.

Further treatment may be necessary, either to remove other metals and minerals that are in a dissolved state in water, or to prevent them from precipitating and depositing inside pipes. Only then is the water, softened and

purified, fit for a boiler to drink. Helping to purify industry's water (and your home supply, too) is one of many tasks performed so well by

of many tasks performed so well by Columbia-Southern chemicals. Columbia-Southern is a leading producer of soda ash, chlorine, caustic soda, and related chemical products.

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#### Leaseback Deals Under Fire

A popular method of freeing capital is challenged by stockholders in one company that uses it, is being investigated from the tax angle by a House subcommittee.

The growing practice of sale-andleaseback real estate deals came under fire on two fronts last week:

• Dissident stockholders of Penn-Texas Corp., led by Washington attorney Alfons Landa (BW-Feb.16'57, p42), filed suit against Leopold D. Silberstein, embattled chairman and president of the company, and other officers and directors. They charged that the company sold out for \$1-million too little in a leaseback deal with Glickman Corp., New York realty company

Rep. Wilbur D. Mills' subcommittee on Internal Revenue Taxation was studying a proposed change in the tax code affecting leaseback deals. This change would discourage leasebacking, says Gordon I. Kyle, executive vice-president of Cruikshank Co. and representative of the Real Estate Board of New York on the Realtors' Washington Committee.

• In Essence—A sale-leaseback deal may take many forms, but essentially a company sells a business property, then leases it back on a long term, usually with option to renew at a lower rental. The company customarily takes care of taxes and maintenance of the property, in addition to paying a rent that assures the new owner a good return on his investment for at least the initial term of the lease.

In the Penn-Texas case, Liberty Aircraft Products Corp., a Penn-Texas subsidiary, sold a 32-acre factory property to Glickman Corp. for \$4-million and leased it back for 25 years at a \$520,000 annual rental. The crux of the stockholder complaint is that Glickman is setting up a concern to take the property over at about \$5.1-million, and sell shares—at \$6,000 each—to the public, thus giving Glickman a potential quick profit of more than \$1-million.

#### I. Gains for Both Sides

The selling company's chief advantages in such a case are (1) gaining working capital or capital for expansion and (2) improving its deductions in figuring corporate taxes.

The company is permitted to charge off all its rent payments as a business expense, and these can amount to much more than the depreciation write-off that is allowed a business property owner. If the term of the lease is shorter than the life of the plant, as rated by the Internal Revenue Service,

the company in effect gets fast write-off benefits.

For example, if a new plant can be depreciated over 33 years, the owner can write off only 3% a year. But if the owner sells the plant and leases it back for 25 years, the buyer can write off 4% a year—he can figure on recovering his investment over the initial term of the lease, and he sets his rent accordingly.

• Good Investment—The buyer of the plant gets a direct return on his investment that's better than many other yields, and he also has tax advantages. His net after taxes is higher than if he had, for example, put his money in preferred stocks that offer the same annual return. That's because he can deduct depreciation charges from his rent income. Moreover, if the property is well maintained, he still has a valuable asset after the depreciation has been written off.

Of the \$520,000 annual rent in the Penn-Texas case, \$160,000 represents amortization of the \$4-million purchase price over the 25-year lease, and the rest is interest—and profit. Specialists in the leaseback business admit that interest runs higher than a selling company could obtain through a straight bank loan. Leasebacks ordinarily bring lenders (the buyers of the property) between 5% and 10% above amortization costs.

Management Choice—When a company needs cash, though, it often finds leasebacking more attractive than either debt or equity financing.

One advantage is that it can in effect raise money that shows up on the balance sheet merely as a contingent liability rather than as fixed debt. The same sum obtained through sale of a mortgage or a debenture issue would, as a leaseback specialist points out, "go down on the balance sheet, with the interest rate for all to see."

"Suppose that, five years from now, borrowing rates drop," he says. "Then the company is stuck with that high rate of interest staring every stock-holder in the face. With leasebacking, nothing shows except a footnote in small type—and no one figures rent as a debt."

If, on the other hand, a company raises the additional cash by selling new stock, the book value of its outstanding shares would be diluted.

Of course, whether the cost of the deal is set up on the books as a con-

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(1) The General Electric RW-1 with white phosphor reflector is the newest, and gives you the most light at lowest cost in most areas. Also you get better, whiter light, than from any clear lamp. (2) The RC-1 with phosphor reflector gives you extra light (only 7% less than the RW-1) and color improvement, too. (3) The R-1 has a pure silver reflector; is best for extremely dirty areas.

And if you're now using 1000-watt Mercury Lamps, try the new half-phosphored G-E 1000-watt Mercury Reflector Lamps (either RC-15 or RC-12). All lamps are interchangeable with comparable clear lamps.





Your General Electric Lamp specialist will be glad to help you pick the best G-E Reflector Lamp for your plant. Contact him now—or write: General Electric Co., Large Lamp Dept., Nela Park, Cleveland 12, Ohio.

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#### INDUSTRIAL News Brief

from SPARTON Corporation

Penny Saver.

Since time began this has been man's marvelous dissatisfaction: to forever reach beyond his grasp. Of late, the latter has been showing some signs of closing the gap, through the electronic "magic" of remote controls. Take suburban Detroit's Southeastern Oakland County Water Authority for example. Here Sparton Remote Controls Division recently installed a system which

Here Sparton Remote Controls Division recently installed a system which permits a single operator at a central "switchboard" to regulate 16 booster pumps from five to ten miles distant and control 16 valves scattered throughout the 100 square mile area. Additionally, the system—which handles peak



loads of 60 million gallons a day-keeps constant check and immediately reports on any abnormalities, should they occur.

Result: a substantial saving in operating cost. The Authority expects to recover the cost of the control system in two years. If you would like to know more about Sparton Remote Controls—especially their low-cost "building block" module system-address your inquiry to: Sparton Controls Division, South Horton St., Jackson, Michigan.

Pound Saver . . .

The constant challenge in current combat aircraft design; find ways to

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"how-to-do-it" note vealed by Sparton Electronics Division.
Using miniaturized radio components of their own design, they trimmed weight of Air Force UHF receivers from 40 to 13 pounds, reduced required space to less than ¼ the cubic feet. Upcoming: upon approval of advanced components by Pentagon, an additional saving of 30% in space, 40 to 50% in weight.

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formation on how Sparton miniaturized electronic components are daily solving the size vs. space dilemma in other fields as well, write: Sparton Electron-ics Division, 2400 East Ganson St.,

Jackson, Michigan.

For Your Information . .

Prosperity today for a medium-sized corporation depends on its ability to continually broaden its market. One way: sound diversification. Three years ago Sparton Corp. undertook such a program. Today, its activities înclude: fabricating for petro-chemical and process industries, automated materials handling, remote controls, electronics, communications, woodworking, radio and television, automobile and truck accessories and components. To acquaint you with the day-to-day progress being made at Sparton is the purpose of these regular monthly "news briefs."

ORPORATION MICHIGAN Formerly The Sparks-Withington Co.

CONTRIBUTING TO INDUSTRIAL PROGRESS THROUGH THESE NINE DIVISIONS:
ALLIED STEEL & CONVEYORS DIVISION - SPARTON AUTOMOTIVE DIVISION - SPARTON ELECTRONICS
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tingent liability or not, it's an actual cost that the company must pay, in good times or bad, for the term of the lease. That's part of leaseback's attraction to the investor. In some deals involving retail stores, the terms may include a provision by which the investor gets both a minimum annual rental and a cut of gross income above a stipulated level.

· Help in Expansion-Few companies like to tie up large sums in brick and mortar, especially when it's hard to build up working capital. Leaseback gives a company the same use of its property as before, plus cash it can use elsewhere to better advantage.

One company addicted to leasebacking has sold and leased back between \$350-million and \$400-million in stores and warehouses. Had it decided to retain title to all this property, its expansion would probably have entailed heavy borrowing that could have slowed the expansion program and perhaps make the company's securities less attractive to both stockholders and lenders.

#### II. Growing Practice

Leasebacking was known in Europe as long ago as 1932. In the late 1930s, Safeway Stores, Inc., was practicing it (BW-Dec.26'53,p90). But leasebacking didn't gain a real foothold in this country until 1942, when Virginia became the first state to allow life insurance companies to put as much as 5% of assets into commercial real estate.

On the day the Virginia law went into effect, Safeway sold one of its warehouses to the Life Insurance Co. of Virginia. Todav almost every state allows life insurance companies to buy commercial real estate. Other investors in leaseback deals include pension and trust funds, big real estate brokers, private investors, and specialists in lease-

• The Big Boom-The greatest impetus, however, has come from the life insurance companies, which constitute the nation's largest reservoir of investable funds.

As recently as 1947, life companies held only \$192-million worth of business properties. Last year alone they more than matched that holding with an estimated \$236-million in commercial and industrial properties. Their total holdings in this category amount today to about \$1.7-billion, and nearly all of these properties are held under leaseback arrangements.

· More Converts-More and more companies that seek hard-to-get cash are turning to leaseback deals. Food Fair Stores, Inc., was long a holdout against leasebacking, but a few years ago it found it had to sell some of its stores, with repurchase strings, to help finance



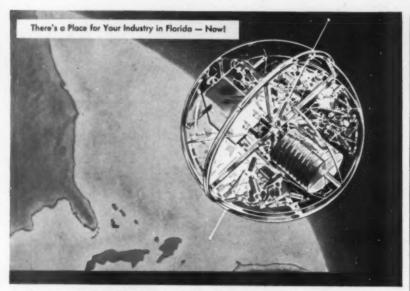
lovelier, and the miracle fabrics that give her the chic that is the birthright of every American woman.

Many of these modern blessings are a result of the refining industry's broad use of Universal created and developed processes which have helped refiners everywhere provide the petroleum by-products that make them possible. UOP is proud of the part it has played in helping American women to be smartly dressed, lovelier, and so, happier.



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Because modern Florida is a global trade center with 21 air lines reaching out to serve the United States, Europe, the Caribbean and Latin America. From Florida's 17 ports of entry ships sail to the far corners of the earth.

When considering Florida for your industrial satellite, remember that manpower is not a problem. Florida has a substantial existing manpower pool, Further, skilled workers everywhere want to live and work in Florida. This was clearly demonstrated by the experience of the 163 new plants established in Florida during the first half of 1956.

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#### FLORIDA

...land of good living

its expansion (BW-May29'54,p80).

Other companies that have joined the leaseback camp include General Motors Corp., General Electric Co., International Business Machines Corp., Borden Co., Montgomery Ward & Co., Sears, Roebuck & Co.

#### III. Threat From Congress

The popularity of leasebacking makes it a juicy target for Congress, if Rep. Mills' investigation goes along the indicated lines. The subcommittee hasn't reached a definite recommendation—and more hearings are scheduled for the near future—but it is talking about cutting down the tax advantages of leascholding.

Tentatively, the group suggests a change in law to require a buyer to spread his depreciation writeoff over the entire term of the lease including periods of optional renewal, instead of merely over the original term.

Most companies insist on these options so that they can be assured of staying in the leased-back plants. However, they are under no compulsion to pick up the options, and investors might be wary about a deal where they had to slow down their depreciation write-offs without assurance that the occupancy would continue past the original lease period.

#### FINANCE BRIEFS

Holders of Chicago & North Western Ry.'s 4½% second mortgage income bonds won't be getting their 1956 interest payments. There's a deficit in available net income. Unpaid interest now amounts to 7.79%. The issue's interest is cumulative up to 13.5%.

Turnabout in the public power vs. private power issue: The city of Dunkirk, N. Y., approved transfer of its electrical system to Niagara Mohawk Power Corp. at not less than \$800,000. The city now purchases power from the company and distributes it through its own lines. The move was previously turned down by the voters in 1951.

Papermakers say present overcapacity of their plants is only temporary. At the 80th annual convention of the American Pulp & Paper Assn. in New York, they said paper and pulp output would expand at a slower rate this year than last year. B. W. Tinker, executive secretary of APPA, predicted that production would hit about 32-million tons in 1957, compared with 31.4-million tons last year. This estimate is even lower than industry leaders predicted only a few weeks ago (BW—Feb.2'57,p58).

# Are We Running Out of Oil?



THE abrupt increase in demand for American oil due to the closing of the Suez Canal has sharpened interest in the question of present and future supply. Are we within sight of the end of our petroleum resources?

Some authorities have assumed that about half of the total reserves have been discovered, placing the ultimate figure somewhere between 150 and 200 billion barrels. Others are much more optimistic. The Department of the Interior says, for example: "A total of 300 billion barrels as the ultimate reserves of the United States and of the adjoining Continental Shelves seems to be a reasonable figure." Still other authorities believe that even the most optimistic of present estimates will eventually prove conservative.

#### Need for Constant Development

One point on which all authorities agree is that the adequacy of the oil supply must always depend upon the continuous process of exploration and discovery.

The finding of oil is a costly and hazardous business. The cost of a well ranges from \$20,000 to as much as \$1 million, averaging about \$90,000. Of every nine discovery wells drilled, eight are dry. Only one in 43 finds a field of a million barrels, which is close to the margin of profitability.

Recognizing these extraordinary costs and risks, Congress in 1926 enacted legislation permitting the holder of an oil-producing property to treat as depletion for tax purposes 27½ per cent of the gross income or 50 per cent of the net income from the property, whichever is less. Under this incentive, Americans have developed an oil industry that is one of the principal foundation stones upon which the Twentieth-Century standard of living has been built, and have discovered new reserves

fast enough to meet increasing current requirements and maintain provision for a decade or more of future years.

Yet the oil-depletion allowance has often been, and still is, under attack. Demands will probably be made in Congress this year, as in years past, for the repeal of this "special-interest" legislation. Representatives of the industry and of oil-regulatory agencies will probably be called upon to appear before Congressional committees and explain anew why the depletion allowance is not special-interest legislation but legislation in the public interest, because it provides no more than fair compensation for the special risks and costs involved in producing oil.

#### Economics of Depletion

Rational analysis of the economics of the oil-depletion allowance confirms the verdict of experience. Against the existing legislative background, oil has taken its place among the great epics of American enterprise and welfare. Nothing could be more shortsighted than to jeopardize the future of a resource so vital to prosperity and national security by changes that cannot be justified even on theoretical grounds. Adequate production has always been a direct function of economic incentive. Expert opinion holds that our known oil reserves are not likely to become inadequate in the foreseeable future, provided we have the wisdom to maintain that incentive.

From the February issue of THE GUARANTY SURVEY, monthly review of business and economic conditions published by Guaranty Trust Company of New York.

The complete issue is available on request.



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# DOLINE 22

POPULAR with consumers Down Under is middle-sized, middle-priced Holden.

Daily output is 318, with six-month delivery lag.

#### **GM Makes**

Australians scramble to put their names on a waiting list for the Holden—designed especially for their market and produced with GM skill. The result is a rough time for competitors.

In Adelaide, Melbourne, and the other major Australian cities, it's called the car that's "Australian except for the key." It has a waiting list longer than Volkswagen's here—despite the myriad European and North American makes on the market. It allegedly brings a \$220 premium on the "gray market." It occasionally works the opposition Labor Party into a mild rage over the profits it piles up for its Detroit parent. And there's even rumor that it's good enough for export to the U.S.

That's the story—and legend—growing up around the Holden, Australia's top-selling car. Since November, 1948, when General Motors-Holden's, Ltd., ran the first one off the assembly line, the Holden has sold like hot cakes—over 300,000 in a country with only

9-million people.

More than that, it has helped set the pace for Australia's official program of developing a self-contained auto industry, not dependent on imported parts. Because of the Holden—and the government's program—GMH's main competitors, Ford and British Motors Corp., are boosting use of Australian raw materials and parts in their manufacturing. And several other auto makers have plans afoot—at various stages of development—for producing a Hold-

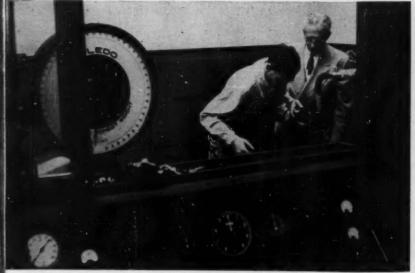
• Twin Threat—Behind GMH's startling success in Australia is its double-barreled approach: (1) It has used the latest GM production techniques (pictures), but (2) has produced a car specifically designed for Australian conditions. What's so unusual is that GMH for the time being has put British auto makers in the back seat—in a sterling-bloc country that has close trade ties with Britain.

en-type car.

Compare the available figures for the first 10 months of 1956 with the same period in 1955. (Estimated 1956 sales for the whole year were 205,000 cars.) GMH's Holden climbed from 26.5% of the market to 34.4% (though other GM cars dropped from 6.9% to 5.6%). BMC fell from 20.7% to 17.2%, Ford from 20.8% to 16.4%, Standard from 8% to 6.5%. All the rest, except for newcomer Volkswagen, also dropped.

• Jack-of-All-Trades—By U.S. standards, the Holden doesn't look like a standout. The first model had some-

#### Its Knowhow Work Down Under



DETROIT helped General Motors-Holden's father the first Holden, with G. Wayne Brown (right), chief engineer, in on job.

FEED LINES for finishing components-such as this paint shop for wheel hubs-have latest equipment.







FOUNDRY turns out parts for GMH, which also buys from more than 3,000 suppliers in Australia.

DELIVERY to car-hungry Australians takes place from new plant near Melbourne—one of five.

BUSINESS WEEK . Feb. 23, 1957

Business Abroad 135



# Only the men are flying

The fact is, men beat birds at their own game. Even when our feathered friends are grounded, we're aloft; flying ever higher, faster, safer, further. And, unbelievable as it may seem, more accurately.

Among the companies spearheading man's conquest of the sky are nine of the GPE Group. Their contributions are basic—technological bench marks such as—

 the only compass systems that always know where north is, whatever the plane does, wherever it goes: Kearfott's stable-platform gyro compasses;  the only simulators to meet the need for on-the-ground training in supersonic flight: famous Link jet simulators;

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Inertial navigation, missile guidance, photoscience, and certain nuclear power applications, are some other phases of aviation in which GPE companies are deeply and jointly involved. And while many of the products of the GPE companies—particularly in the field of aviation—serve defense needs today, the important scientific advances they embody are "plowshares" for tomorrow.

Aviation is but one industry in which GPE companies work. A brochure describing the activities of the group is available. More than a dozen basic industries are served by products resulting from GPE coordinated technologies and resources.





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#### man aloft



The pilot — before he set eyes on this jet, before he set hand to the actual controls — had already "flown" it. He learned how, on the ground, in a Link F-102 Simulator . . . one of more than a million fliers who have logged "Link time." Millions more will.



Military flight and fliers benefit immeasurably from the systems and equipments developed by GPL. Kearfott, Libriscope and the other GPE companies working in aviation. Once these classified products are released for civilian use, everyone will enjoy their benefits.

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CAFETERIA and other conveniences for the 16,000 workers in five GMH plants help lure labor in a tight market. GMH is putting in \$46-million in new facilities.



NEWCOMERS to Australia often don't speak English; hence three languages.

#### (Story starts on page 134)

what the styling of a 1948 Chevrolet cut down to European compactness. (There have been several face-liftings since then.) But Australians see it as an all-around car-easy to handle in the big-city traffic, roomy enough for longdistance Australian driving, economical on gas, fairly quick on acceleration, and hardy enough to last through the wear and tear of bumpy roads and long ownership (four or five years). The car is medium-priced-and, since it's made of over 95% local materials, the buyer avoids almost all the ordinary tariffs-\$200 on an imported car of the same size and \$85 on a car assembled locally from imported parts.

• Early Success—GMH was big in Australia even before it put its money on the Holden. It first began full-scale operations in 1926 with five chassis assembly plants—from Perth on the West Coast to Brisbane on the East (spread out this way mostly because of costly, often inadequate transportation around Australia). In 1931 purchase of the staid, successful Holden's Motor Body Builders, Ltd., through an issue of preferred stock, gave it a truly Aus-



#### Cheese Tube Pleases...because it Squeezes

New! Different and ever so practical... that's CHEEZ PRESTO, a soft cheese topping for cooked foods, salads, canapes and snacks, now being introduced by Swift and Co.

It's the squeeze-to-use utility of the BRACON plastic tube that enables the housewife to lay strips of cheese just where they're wanted...quickly, easily, and no utensils to wash afterwards. Always soft and ready to use...all three flavors of CHEEZ PRESTO store safely at room temperature.

There are other advantages to BRACON squeeze-to-use packaging. Test market and panel tests repeatedly show that housewives desire the extra convenience of these functional packages which come to them at no extra cost. Attractive printing and unique point-of-sale displays catch their eye... the soft pliable polyethylene intrigues their touch... invites usage.

BRACON plastic tubes, bottles and cans are now packaging nationally branded products of all types. They are equally adept for creams, liquids or powders. If your merchandising needs a packaging pick-up, investigate BRACON squeeze-to-use containers, today. They're new!



Maynard, Mass. - New York, Chicago, Los Angeles, Toronto

tralian flavor—together with needed body-making facilities. By 1939, GMH sales of the GM line, plus the British GM Vauxhalls, were hitting 27,000 small, but in those days over a third of the new-car market. Still, after producing all types of military equipment during World War II, GMH's postwar plans were only to start up where it had stopped.

Two things helped give birth to the Holden. First, Australia wanted a homegrown auto industry, with facilities that could quickly be turned to defense production. Secondly, as one top executive in General Motors Overseas Corp.—GMH's parent—puts it: "We were up to our neck already, so we went all the way to insure holding our share of the market." Already at that time GMH was importing only \$328 in parts for an Australian-assembled Chevrolet, selling for around \$1.500.

• Flawless—In late 1944, GM Overseas set Russell S. Begg to work in Detroit, with a handful of ex-Opel and ex-Vauxhall engineers, to design a car for Australia. The aim, as described then: "A 2,200-lb. car—with the mistakes made before taken out." After extensive market studies in Australia and the manufacture of three prototypes, GM finally began production in late 1948. To smooth the way, it dispatched to Australia a large production team—"mostly men in their 50s, so the younger men wouldn't worry about moving up the ladder."

Since then, Holden sales have climbed steadily—with 68,893 sold last year and a six-month delivery backlog. By next year, GMH hopes to hit the 100,000-per-year mark and GMH continues to sell some 15,000 other cars and trucks, plus appliances. Last year's gross hit an estimated \$180-million—about 7% from the Frigidaire Div.

Backing up this growth is GMH's big investment in new facilities and new markets. By the time it completes new plants costing \$46-million and a \$450,000 proving ground (Australia's first), GMH will have spent some \$127-million since the war-almost all from plowed-back earnings. Meanwhile, it has been exporting Holden cars to New Zealand since November, 1954. It plans market surveys in the Philippines, Japan, Thailand, and other Southeast Asian countries.

• Ups and Downs-Not all of GMH's

• Ups and Downs-Not all of GMH's expansion has been easy. The 16,000 Australian workers down the line bring GMH the usual troubles you find in the country-fairly high turnover because of the labor shortage, a high proportion (80%) of foreign-born immigrants, who, though often skilled, don't always speak English. In fact, the assistant employment officer at the Dandenong plant (near Melbourne) speaks seven languages in order to handle





#### Shh! The new Royal electric speaks softly

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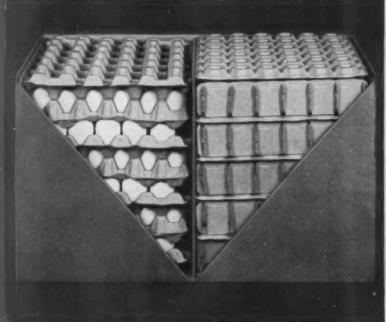
quiet Royal Electric than a non-electric typewriter. And because it's so much easier, each typist does *more work*... better-looking work... in far less time. You save money.

How much? Phone your Royal Representative. Together, you can analyze your set-up, taking into account salaries, days worked per year, hours typed per day and production rates. You'll be quietly surprised at how much the new Royal Electrics can save you.



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interviews. The medical center at another plant has trilingual notices (GMH is now trying to make workers

learn English).

In addition, GMH has to cope with rising costs, which show up quickly in parts bought from over 3,000 Australian suppliers. And taxes have been rising on auto purchases. New car sales slumped 20% right after a sales tax increase in March, 1956.

In some respects, too, GM Overseas control of GMH has caused bad feeling. When GMH declared a profit after taxes of \$21.6-million in 1954 (or 14% on sales)-reportedly the highest on record in Australia-the press and politicians let loose with an anti-GMH blast. At times, government officials have criticized the dollar drain from GMH's large dividend remittances to the U.S. And Australian businessmen have sometimes sniped at GM's almost total ownership of the company's stock.

· Avowals-But the critics concede that in view of GMH's production efficiency, local shortages of capital funds, and the government's program for building local industry, these criticisms don't hold much water. And GMH has plainly spurred other auto makers to follow suit in playing harder for the Australian

market.

Says a British auto industry expert: "Australia is limiting imports, and Holden is outproducing us. There is nothing outstanding about the Holden." Australia's quota on British cars-restricted to between 50% and 60% of 1950-51 car imports—is based on sterling volume, rather than number of vehicles. So the British are finding it more to their advantage to produce their cars in Australia.

· Competitors-But there's no denying the pressure on BMC-and other Brit-ish auto makers-from the Holden. The Australian content on BMC's vehicles, now 60%, will be virtually 100% when it completes its present \$28-million expansion in Australia for producing 50,-000 vehicles annually. BMC scoffs at the suggestion of designing an Australian car like the Holden. It claims it can meet Holden squarely by boosting production in new, highly automated plants.

Ford, with five Australian assembly plants, says that its English Consul and Zephyr (which compete most directly with the Holden) are 52% Australian; its U.S. and Canadian models, around 74%. Ford expects that by the early 1960s it will have its cars produced almost completely in Australia. It will probably concentrate on a single line picked from its English or American models. In any case, it has the flexibility, like GM, to do what it thinks best in the coming market-even to design a brand-new car, as GM did with its Holden. END



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CASTER The adjustable King Bolt holds the plate and two ball retainers firmly together, thus permitting the horn to swivel freely between the two full rows of balls. Stop nut on King Bolt assures solid construction for the life of the caster.



1100 Series Swivel Caster shown with Drawn Steel Wheel having two full rows of hardened ball bear-ings in lubricated, dust-proof, hardened raceways.

That's quite an achievementyet Barbara Ann Baking Comyet Darbara Ann Daking Com-pany, Los Angeles, did it with a simple handling system, featur-ing Faultless Castered trucks. Products of similar size might be bandled just as economically IN YOUR PLANT.

First, freshly baked bread is taken from the ovens, loaded on multitiered trucks and moved to a temporary storage area. Each fully loaded truck takes 270 loaves of bread. The trucks are temporarily parked side by side for maximum saving of valuable floor space. Next the trucks are Hoor space. Next the truths are easily and quickly moved to a bank of combined slicing and wrapping machines. Finally, the sealed and attractively packaged bread is stacked on wire pallets and moved in bulk on bread racks to city delivery trailer trucks. With this type of castered truck handling system, there is no costly unloading and reload-ing between operations.

#### 1100 SERIES CASTERS HELP CUT HANDLING

Faultless 1100 Series Casters are used extensively in the Barbara Ann Baking Company operation. The object of this bread handling system is to in-crease the number of loaves that can be handled at one time by one man. This Faultless in-stallation bas multiplied as much as thirty times the number of loaves one man can handle in the transfer operation from baking ovens to wrapping ma-chines. Barbara Ann's polished hardwood floors are fully protected by Faultless Plaskite and Drawn Steel Wheels having smooth, rounded edges which will not chip, mar or scratch.

#### SERIES 1700 RIGID PLAYE LIGHT DUTY CASTER

Has the same over-all height and same bolt hole positions, center to

center, as the corresponding size of Faultless 1100 Series Swivel Plate Caster.

#### CASTER CORPORATION



#### A Million Smiles



.. for a penny apiece

In one year, two million families incur medical debt equal to or more than one-half their income. For one-quarter of these families, medical debt equals or exceeds income.

If you have an old-fashioned group insurance plan—or none at all—these unhappy millions may include some of your employes. You can tell who they are because they don't smile yery much.

by don't smile very much.

But—you can bring back the smiles for a few pennies a day with a modern Major Medical Plan by ZURICH-AMERICAN. Ask your insurance counsel for details, or write

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The natural resources of Arizona offer tremendous business opportunities in many fields. It's the leading copper state, and there are new fortunes in other metals and non-metallic minerals to be developed.

Arizona has the largest Ponderosa pine forest on earth. Crop income has tripled in ten years. Yields far exceed national averages. Livestock production in this traditional cattle state is growing more and more efficient. And every Arizonan enjoys the greatest resource of all: Nature herself in the nation's most varied scenery.

Want to know more about amazing Arizona? Write for Arizona Industrial Facts. Ask for specific information regarding your industry.

ARIZONA

Development Board



Frederick Street, the main drag of Port-of-Spain, will see wild carnival times soon, as . . .

#### Trinidad Gets Set For Role as Capital

Next week the calypso singers, drum beaters, and costumed paraders on the sunny island of Trinidad will let off steam during their annual three-day carnival. But they will also have something special to celebrate—Trinidad's new political eminence as capital for the proposed British Caribbean federation, officially called the West Indies.

In Trinidad—a British island colony off the northeast coast of Venezuela—oil is the big money earner. But the sugar industry is still the largest single employer—and a symbol of the island's slow-moving ways. Those ways are due to be jostled, now that the 12 British West Indian islands have picked Trinidad as the site for their federal government.

More important, final agreement last week on location of the capital will spur ahead the long-standing scheme to unite the islands into a self-governing federation (man, page 144).

ation (map, page 144).

• Maybe the Princess—The next step will be the appointment by Britain of a governor general later this year—and there's talk that Princess Margaret, rather than Jamaica's Sir Hugh Foot, will get the post. Early in 1958, the islands will hold parliamentary elections.

Trinidad's top minister, Eric Wil-

liams—along with Jamaica's Norman Manley and Barbados' Grantley Adams—is a close contender to become the prime minister. After elections, the federation will be out of the woods and running in the open—with dominion status within the British Commonwealth some five years away.

Linking up the islands makes good sense. Individually, they are too poor to do much without substantial British aid. Except for Jamaica's bauxite and Trinidad's oil, they rely on a sugar-and-spice economy to keep alive. Their social setup centers around a "plantocracy" of plantation owners and poor workers. One island's products compete with another's, and in some cases the products are not suitable to local farming conditions.

Even together, the islands will have a total land area only about the size of Massachusetts. But with closer political ties they can strengthen their economies through regional planning.

• Reluctance—Only two Caribbean colonies, both on the mainland, have frowned on the federation idea. British Guiana has held back, mostly through Communist pressure. British Honduras has been a reluctant sideline observer, fearing too much immigration from the islands. So both colonies are joining



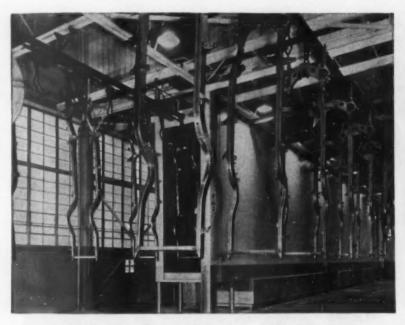
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**Division of STEWART-WARNER CORPORATION** 



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1850 Diversey Parkway Chicago 14, Illinois



16-foot frames move automatically on and off this conveyor.

### 300 auto frames an hour

#### CLEANED AND PAINTED AUTOMATICALLY...

Running at capacity, this installation automatically handles a million pounds of steel a day, in the form of 16-foot automobile frames. Without human labor, 300 frames an hour are transferred from frame-building lines, lifted, hung on Monoveyor carriers, conveyed through cleaning, phosphatizing, painting and bake



One of two automatic transfers feeding horizontal frame conveyor.

oven, then lowered to a horizontal conveyor and delivered to shipping or storage.

This installation by MHS emphasizes one of our basic beliefs: Human intelligence and skills and strength should be reserved for tasks which add value to the product. Handling should be mechanical and automatic as possible.

The MHS engineer can show you how to cut unproductive labor costs through automatic handling. Call him in.



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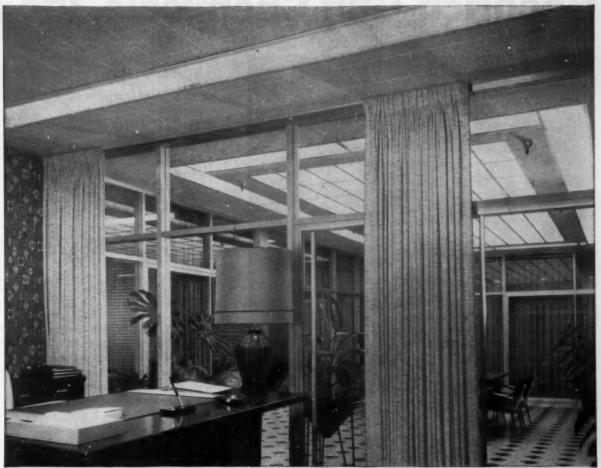
the federation's free trade zone-but delaying political affiliation.

By contrast, Trinidad is whooping it up as the new capital. Having a small district of the type of Washington, D. C., on the island is some to draw in people from neighboring islands. And there's no doubt that the new federal government, bolstered by a ritish financial aid, will boost real estable development, business, and tou.

The question of which island would get the capital produced a lot of political maneuvering and some strained feelings. A month and a half ago a special commission recommended Barbados as first choice: Barbados is the "most British" of the West Indies and one of the smaller islands. Second choice was Jamaica-the largest, best-heeled island. · Counterweight-But Trinidad won out-by an upset. Certainly the island's general prosperity and its lack of color line (which exists in Barbados) were factors in the selection. But it's probable that the islands picked Trinidad to balance off Jamaica's power, represented by its 17 out of 45 seats in the proposed parliament.

Trinidad itself, like other Caribbean islands, is pushing economic development. The government this year is puting \$15-million into acrial surveys, swamp reclamation, flood control, and other public works. It is also trying to lure new industry with tax exemptions and fast write-offs.

Although it produces sugar, cocoa, asphalt, and rum, the island gets 80% of its revenue from oil. Production now is at a record 85,000 bbl. daily; refining is about the same amount. Last July, the Texas Co. made Trinidad happy by buying the Trinidad Oil Co., Ltd. (BW-Aug.11'56,p109)—a move which the islanders think will speed oil development there. And Trinidad Northern Areas, owned by British Petroleum, Royal Dutch Shell, and Trinidad Oil, is pushing offshore exploration.



This attractive office has been sound conditioned with Armstrong Cushiontone, a material surprisingly low in first cost and upkeep.

# How much will it cost to sound condition your offices with new Armstrong Ceilings?

Perhaps the first question you should ask yourself is this: "How much is it costing you not to sound condition your place of business?"

Businessmen everywhere who have installed an Armstrong acoustical ceiling realize that the ceiling quickly pays for itself in increased personnel efficiency, morale, and other benefits.

But now to the specific question of cost. Acoustical ceilings, like most building materials, come in a wide range of prices—anywhere from \$0.30 to \$1.25 per square foot installed.

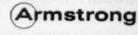
The price of sound conditioning is determined by a number of factors such as appearance, fire-safety requirements, and type of installation to be made. Local labor conditions and the size of the job will have an important bearing on the final cost as well.

But remember, even the most inexpensive Armstrong ceiling will do an excellent job of muffling office noise. Every material in the complete line of Armstrong acoustical products adds beauty to interiors and simplifies maintenance.

For complete information on costs and a free estimate without obligation, call your nearest Armstrong Acoustical Contractor. You'll find him in the Yellow Pages of the phone directory. And because these contractors handle the complete line of Armstrong acoustical ceil-

ings, they can impartially recommend a material that will satisfy your specific requirements.

For full details on Armstrong sound conditioning, get your free copy of "Quiet at Work." Write to Armstrong Cork Company, 4202 Indian Road, Lancaster, Pennsylvania.

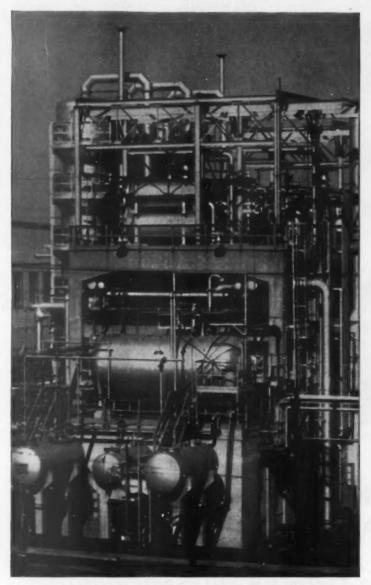


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man-made rubber

CONTINUING modernization of our giant Institute, W. Va. plant increases output . . . complements facilities at Port Neches, Texas. Result —more Ameripol man-made rubber, faster service for you.

Ameripol is the preferred rubber for tires and floor tile, for scores of industrial products such as belts, brake cups, extrusions. It's noted for quality and uniformity that simplifies your processing.

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Goodrich-Gulf Chemicals, Inc.

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### In Business Abroad

### Coal Exporters See No Loss As Europe Develops Atomic Power

U.S. coal exporters aren't batting an eye at the plans for an international atomic energy development program for Western Europe (BW-Feb.16'57,p148). Reason: The U.S. Dept. of Interior's Bureau of Mines estimates that American coal sales to Western Europe are going

to keep on climbing anyhow.

By 1975, the bureau predicts, Western Europe will be consuming 12% more coal than in 1955—despite the 15-million-kw. of electric capacity from atomic energy that the Europeans hope to have by 1967. In 1955, Europe imported 30-million short tons of coal from the U.S.—about three-quarters of all its coal imports. About 60% of all U.S. coal exports to Europe go into making coke for European steel. Thus, any increase in atomic energy as a fuel source will have only a marginal effect.

The Bureau of Mines also predicts that difficult Western European mining conditions and the Continent's continuing labor shortage will prevent increases in European production that might otherwise fill the increasing

demand.

### IMF Moves on Current Payments Problems May Set New Agency Pattern

If you're a perennial optimist, you can find a silver lining in the economic crisis created by the Suez Canal blockage. The aggravated payments problems of some Western European countries and India have moved the International Monetary Fund to revive some of its dormant functions. And it's likely that the role of the IMF in future international financial affairs will increase as the U.S. Council of the International Chamber of

Commerce notes in a recent bulletin.

Since the crisis broke, the IMF has agreed to allow Britain, France, and now India to withdraw dollars beyond their gold and dollar pledges to the Fund in order to meet temporary payments difficulties. France has just been given permission to draw down an additional \$40-million. Earlier, it had been given a stand-by credit of \$262.5-million. Great Britain has been given a stand-by credit to purchase \$1.3-billion in dollars with sterling and has drawn \$739-million of this total. India, which is suffering payments difficulties because of the squeeze the Suez shutdown has put on its imports of commercial and capital goods for its Second Five-Year Plan, will be able to purchase \$200-million with rupees.

In effect, these transactions are dollar currency loans from the IMF to the individual countries. Technically, they are permissions granted by the Fund to one country to buy another country's currency with the Fund acting as the intermediary banker. Although the rules aren't stringently laid down, the understanding has always been that the borrowing member must repurchase his

own currency from the Fund with dollars or gold in three to five years.

The recent IMF actions, the U.S. Council holds, "indicates that the Fund is now willing to use its resources more freely than in the past"—a good omen in international financial operations. The council points out that during the past nine years, the Fund's transactions amounted to only \$1.2-billion—with two-thirds of total registered in the hectic period immediately after the war.

### Fire at Britain's Jaguar Works Cuts Off Deliveries—and Dollars

It's not only American auto buffs who are going to be disappointed over last week's fire at Britain's Jaguar Auto Works, which will make it impossible to meet scheduled deliveries of 2,000 cars on order here. It adds another headache to Britain's dollar-earning problems.

The fire caused an estimated \$8.5-million damage at the plant in Coventry. It destroyed one-third of the plant, along with 180 cars that were on the production line. The plant normally produces up to \$3-million worth of Jaguar sportscars and towncars a week, and 60% of these are sold overseas to earn the dollars that Britain needs so badly.

The company has assured customers that orders will be filled, but there are bound to be delays. The fire has also aggravated the severe unemployment problem in the

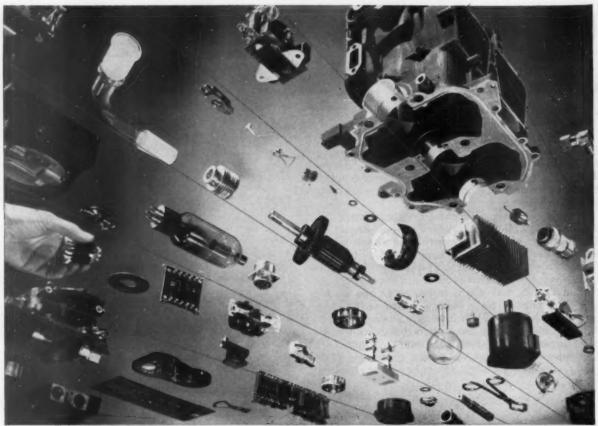
Coventry area.

#### **Business Abroad Briefs**

U.S. hoteliers head Down Under: Stanford Research Institute has reported an acute hotel room shortage in Australia. And U.S. hotel companies are jumping to the bait: Intercontinental Hotels Corp. plans to put \$9-million into two hotels in Melbourne and Sydney. Hilton is reported interested in a Sydney project, other American hotel owners in a project at Surfers Paradise, Australian resort. Two other secret deals are reported brewing with U.S. interests participating.

American-owned Brazilian company: Paul W. Branning, an engineering firm, has just signed a \$12-million contract to improve the iron ore port of Victoria in the state of Espiritu Santo (just north of Rio). Branning has a maintenance contract with the state government based on a percentage of freight costs saved by the port from the improvements. . . . The Rockefeller International Basic Economy Corp. has announced it will cooperate with Rollins Burdick Hunter Co. in opening a Brazilian insurance brokerage house.

New Export-Import Bank loans: To Nacional Financiera, SA, Mexico, \$16-million to assist Altos Hornos de Mexico, SA, in the expansion of its steelmaking facilities. . . . To Honduras, \$1,650,000 to assist in the completion of the Inter-American Highway across that country from Nicaragua to El Salvador. It's the third Ex-Im loan to Central American countries to speed the highway's construction.



A variety of the many kinds of parts and assemblies now being cleaned by users of Bendix Ultrasonic Cleaning.

# NOTHING CLEANS SO CLEAN, SO FAST, SO ECONOMICALLY AS THE BENDIX ULTRASONIC CLEANING SYSTEM!

New Method Cuts Costs Many Ways For Hundreds of Companies

You probably have heard about Bendix Ultrasonic Cleaning, but have you looked into it? You should, because in case after case users report significant cost reductions.

#### MORE EFFICIENT

No other cleaning method gets parts and assemblies as clean as this Bendix method. It is three to seven times more effective than degreasing, agitation or pressure washing. It removes grease, lapping compounds, cutting oils, abrasives and other contaminants. Your parts come out 99.5% to 100% clean.

#### IT'S FASTER

Bendix Ultrasonic Cleaning does jobs in seconds that used to take many minutes.

#### **CUTS COSTS**

Direct labor savings amount to as much as 75%. Rejects, due to contamination, are practically nonexistent. Savings from using water-detergent solutions instead of expensive solvents often run 90% and more.

#### HOW IT WORKS

We use gentle ultrasonic waves in a water-detergent solution. They reach everywhere, even the most remote crevices and blind holes, breaking loose the dirt, which is trapped by filters and washed away. You can clean complete assemblies as well as parts. Works equally well on metal, plastics, ceramics or glass.

You need no skilled help to operate the system. It is completely adaptable to job needs. To learn how Bendix Ultrasonic Cleaning may effect cost reductions for your company, write our Pioneer-Central Division, Davenport, Iowa, direct for the brochure "Industry's New Servant".

A thousand products



a million ideas



River on the rampage brings millions of dollars worth of damage to business section of Williamson, a coal mining town in West Virginia.

## Flood Insurance Plan Shapes Up

THE FEDERAL GOVERNMENT is just about ready to start selling flood insurance, taking a \$100-million initial step that will put Uncle Sam on ground where private underwriters fear to tread.

A few private insurance carriers now offer "floater policies" covering losses by flood of such personal valuables as jewels, furs, or household furnishing. But none will take the broader real property risks.

The government's venture into this field is an experiment (BW-Aug.11'56, p36). It is hoped that a few years of experience will lead private underwriters into flood insurance. When and if that happens, the federal program will be dropped.

• New Agency-Congress last year created the Federal Flood Indemnity

Administration to work out details and operate the program. The new agency says that first contracts—offering up to \$250,000 coverage on industrial plants and \$10,000 on residences—should be ready for sale by April or May. Some observers foresee a move to block construction in dangerous areas through higher insurance rates or by zoning.

There is little solace in the situation for businessmen and homeowners in Kentucky, West Virginia, and Virginia, who have just experienced the first major U.S. flood of 1957. The law was passed a year ago, but there is no retroactivity provision, and coverage doesn't begin until the contracts are actually sold.

• Who Gets Hurt-In preparing to sell the insurance, FFIA and other inter-

ested government agencies have done the most extensive research on basic facts about flood ever undertaken in this country.

They find that flood losses most years will range between \$200-million and \$500-million. The loss is not staggering by comparison with fire, insect, or drought damage. But flood more often than not strikes at industrial and business nerve centers, and its economic impact often is out of proportion to the dollar loss.

During the past 50 years, more than 50% of all flood losses have occurred in three areas—the Ohio Valley, the Missouri Valley, and the Northeast.

Of these, the Ohio Valley suffers heaviest, incurring about 28% of all U.S. flood damage. There are two big



Robert Faegre, president, Minnesota and Ontario Paper Company, points out that at the present time, paper and paper-product consumption is 415 pounds per person a year . . . and the demand continues to grow! That is why the science of wood, and its products, must continue to go forward. And though the road to

successful research is long and tedious, MANDO is constantly developing new products that insure better living. At Wyandotte, too, research keynotes the chemical improvements and advancements which make today's products good; will make tomorrow's products better.



Numerous MANDO products are the result of painstaking research in its product-development and improvement program. Wyandotte's laboratories also develop and research chemicals that appear in many new products manufactured by its customers.



3 Much of the pulpwood used by MANDO is grown in their own forests, which are carefully restored as the trees are used. Wyandotte, too, owns natural resources—insuring uniform quality from start of processing to completed product.



4 Last year, MANDO's eight paper machines at International Falls, Minn., Fort Frances and Kenora, Ont., turned out 314,750 tons of paper and pulp. For smooth, coated printing stocks, many paper manufacturing companies use Wyandotte PURECAL.



Robert Faegre tells how

MANDO brings you more than...

# 75 products from a tree!

"We are in a cellulose age," says Robert Faegre, "an age where there are no limits to the possibilities for development.

"At the present time, Minnesota and Ontario Paper Company is making over seventy-five products — more than fifty types of paper, including specialty kraft, groundwood, sulphite, coated papers, and labels; and twenty Insulite fiber-board products. In addition, we produce and treat telephone poles, railroad ties, and other forest products.

"We, at MANDO, are ever striving to fill the growing demand for cellulose products. For example, to help meet the increasing need for newsprint, we have recently completed a \$20 million project designed to boost daily production from 400 tons to 700 tons.

"Without a doubt, chemicals play a vital role in the production of paper and cellulose products . . . from the time the trees become chips, until they are converted into the final product.

"Experience has proved Wyandotte to be an excellent source for a number of chemicals basic to many of our manufacturing operations."

Wyandotte produces a wide range of quality raw-material chemicals . . . for practically every business you can name. How about your business—may we serve you? Talk over your requirements with a Wyandotte representative today. Or write in detail about your product or processing problem. Wyandotte Chemicals Corporation, Wyandotte, Michigan. Offices in principal cities.

# Wyandotte CHEMICALS Pacing progress with creative chemistry



5 Typical end uses for MANDO paper include books, magazines, and newsprint; packaging for a variety of products. Wyandotte supplies chemicals to makers of many packaged products: foods, beverages, chewing gum, medicinals, inks, to list a few.



d mando is a pioneer in the use of aspen, from which they manufacture Insulite insulation sheathing. Nearly every industry benefits from Wyandotte rawmaterial chemicals, such as calcium carbonate, soda ash, surfactants, glycols.



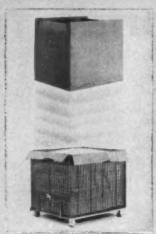
To keep abreast of the ever-changing needs of industry, Wyandotte maintains one of the most advanced, modern research centers in the chemical business; and one of the finest technical-service departments. Both are staffed by skilled personnel.

### THE PACKAGING NEWSFRONT

The time- and labor-saving benefits of bulk-handling containers, such as collapsible steel mesh bins, are now being extended to the handling of free-flowing materials, small parts, and even some semiliquids, through the use of Bemis Liners.

These liners, manufactured by the Bemis Paper Specialty Plants, are custom built to give the particular strength and protection required.

They are available in all sizes and a wide variety of materials, including polyethylene, kraft paper, reinforced kraft, polycoated kraft, laminated papers and textiles, various special barrier sheets and such special protective material as vapor phase



inhibitor sheets which guard metal parts against rust.

How can these special Bemis liners serve you best? Your own imagination will have to tell you that. One leading chemical firm is testing the idea of interplant shipment of ingredients—in 1000-lb, wire mesh bins with protective liners—to be molded into pharmaceutical tablets. An oil company is experimenting with polyethylene-coated liners as master containers for delivering fresh and frozen foods to its offshore drilling rigs in the Gulf of Mexico.

You can answer so many needs with Bemis products... both in and out of the packaging field. If you need a package that will increase sales, give better protection to your product, or simply save you money... or if you are interested in other Bemis developments in paper, textiles or plastics... consult us. Bemis products meet an astounding number of industrial, commercial and recreational requirements, and new uses are continually coming to light. You may want our engineers to create a new package, or to advise you on packaging methods. Please write us.

Bemis

406 D Pine Street St. Louis 2. Mo. reasons for this. First, it lies directly in the path of cyclonic storms—moving from both east and west—which clash to produce heavy precipitations each winter and spring. Second, an industrial and urban buildup, dependent upon water, has encroached heavily on the flood plains of the valley's system of great rivers—the Wabash, Allegheny, Monongahela, and the Ohio itself.

It is this crowding of flood plains the river borders built up by sediment and silt deposits through time—that makes losses increasingly heavy.

• Record—Twice in this decade, billion-dollar floods have occurred. The first was in 1951, in the Missouri Basin; the second came in the Northeastern states in the fall of 1955. But probably worse than either, in terms of dollars, was the Ohio Valley flood of 1937. It drove 1.5-million persons out of their homes and halted manufacturing along a 1,000-mile stretch. In 1937 dollars, the damage was estimated at nearly \$500-million.

• Congress Moves In—How the government finally got into the flood insurance business is illuminating. The Missouri Basin flood of 1951 set a lot of people to thinking about the problem; but the real impetus was the 1955 disaster in the Northeast, which was followed in short order by tremendous mudslides that came after rain deluges on the West Coast.

Almost overnight, congressmen joined forces to do something.

That "something" was the bill to put Uncle Sam into the flood insurance business. Last week, Frank J. Meistrell, commissioner of FFIA and principal architect of the law, asked Capitol Hill for \$100-million to back up the first contracts.

• Offering—Once Congress puts up the money to pay off initial claims, here's what the government will offer in direct flood insurance:

Contracts up to \$10,000 on residential dwellings.

 Contracts up to \$250,000 on industrial plant, business, or other property, including those of state or local governments—roads, bridges, buildings.

Contracts will be sold by private casualty and fire insurance companies, through their local agents, acting as fiduciaries for FFIA. Private carriers also will handle damage claims. In both cases, they will be reimbursed.

Rates probably won't be announced until the first contracts are offered for sale. But they will vary from region to region, and even from plant location to plant location in a given community—depending on the flood history of nearby streams.

 Bargain—In any event, many businessmen should find premium rates a bargain because two subsidies are involved:

The program is to be non-profit



"This new plant, now nearing completion in Pittston, Pennsylvania, is the result of an intensive search along the entire eastern seaboard for a really advantageous plant site"... The Celotex Corporation.

### THERE MUST BE A REASON...

The Celotex Corporation is building its new 60,000 sq. ft. Mineral Wool Acoustical Tile Plant

### IN PENNSYLVANIA



"A steadily increasing demand for Acousti-Celotex products created a need for expansion of manufacturing facilities" says Mr. O. S. Mansell, President of the Celotex Corporation, Chicago, Illinois, as he cites the plant location factors in Pittston, Pennsylvania, which impressed company officials most favorably.

- "Pennsylvania's proximity to the major eastern markets which have created a steadily increasing volume of business for our Sound Conditioning products.
- "Outstanding availability of labor existing in Pittston and other Pennsylvania areas.
- "The friendly attitude and cooperation of local government authorities both before and during the plant planning and plant building.

- "Availability of raw materials essential for manufacturing our mineral wool acoustical products.
- "Close proximity of a major generating plant for our power source, plus the ready accessibility of railroad service to the plant.

"Our Pittston plant will be equipped with the most modern machinery and controls—newest designs of automation combined with competent workers will produce uniform products of consistently high quality. This modern plant, combined with the location advantages stated above, justifies our anticipation of a long and steadily expanding operation in Pittston."

To get detailed information on Pennsylvania advantages for your new plant, write or call-

Pennsylvania Department of Commerce Main Capitol Building, 481 State Street Harrisburg, Pennsylvania Phone: CEdar 4-2912

Special reports and tabulations, tailored to your specific location requirements, will be prepared upon request by engineering and economics specialists, covering:

Labor—Availability, skills, rates, surplus areas.

Markets—Consumer, industrial product, state, regional.

Transportation—Water, rail, truck, air transit time, costs.

Building—Availability, sizes, location, descriptions.

Sites—Acreage, topography, utility services, photos, maps; industrial districts.

Financing—Community-state industrial building program, leasepurchase, commercial credit.

Materials — Metals, andustrial chemicals, wood, textiles, farm products.

Minerals—Location, reserves, potentials, analyses.

Water—Quantitative, qualitative analyses.

Power—Capacity, network, industrial services, costs.

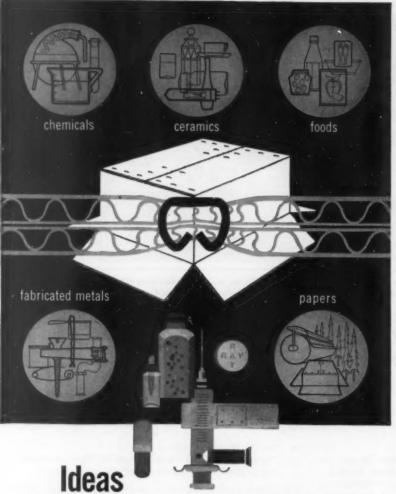
Fuel-Coal, oil, natural gas service, costs.

Engineering — Schools, enrollment, specialization, research laboratories, services.

Taxes—Inter-state and community comparisons, assessment ratios, millages, corporate.

Communities — Characteristics, size, regions, housing, schools, culture, recreation.

Industrial Representatives Available for Inspection Tours, Conferences and Consultations



for Products Going Places ...in fibreboard boxes

The pharmaceutical houses who close fibreboard boxes by stitching prefer Acme Steel Silverstitch Wire by a ratio of 5 to 1. No other field of manufacture needs more packaging protection . . . and no other stitching wire can give more secure box closure than economical Acme Steel Stitching Wire.

Wire-stitched closures are strong, rust-resistant, give quick evidence of tampering. Acme Steel makes a wire stitching machine and stitching wire for any kind of box closure. And, have you heard about Arcuate stitching for stronger stitches with the same size wire or in some instances, a smaller size wire to do the same job?

CLOSURE HANDBOOK-Fibreboard box closure data has been gathered in a 20-page handbook, "A Guide To Better Closures". The common methods are discussed in outline for easy comprehension by the non-technical reader. Send for your FREE copy to: Dept. BGW-27, Acme Steel Products Division, Acme Steel Company,





Chicago 27, Illinois.

WIRE STITCHING

and even administrative costs of FFIA will be paid by direct Congressional appropriation.

· Once FFIA decides upon reasonable base rates, it has statutory permission to knock off up to 40%. At the outset, the agency's tentative plan is to allow the full 40% off on all ratesthus a \$1-per-\$100 premium rate would cost the buyer only 60¢ per \$100.

· Subject to Change-As far as possible, base rates will reflect flood probabilities as projected from studies of past history. At best, rates will be only educated guesses, and future adjustments

are almost certain.

Still to be determined: Whether to write blanket policies for multi-plant industries such as General Motors or Sears, Roebuck. Many such companies probably would like a blanket policy covering all units up to the \$250,000 per unit maximum. Odds are they won't get it, but will be offered instead a

• State's Role—The law says that after
June 30, 1959, states must share 50-50 with the federal government on the premium subsidies involved in contracts written within their borders. Moreover, FFIA will have leverage to pressure states and cities for stricter zoning on

the flood plains.

"From the state viewpoint," says one federal official, "this makes a lot of sense. Floods destroy the sources of taxation. This provision may work a hardship on some of the poorer states, but if they will move in on this zoning problem it will work to their advantage in the long run."

By statute, no insurance may be written on property that violates state or local flood plain zoning, and the official points out that "conversely, we're prohibited from writing insurance on high-exposure areas unless some public body imposes restrictions found necessary-by FFIA standards-to re-

duce flood damage."

• Soft Approach—Federal flood officials are inclined to take a soft approach at this time, although one points out: "We can refuse to sell insurance where the danger is extreme and the owner refuses to take reasonable engineering precautions, or we can set rates high enough to cover extreme risk. The same alternatives apply where there is no disposition on the parts of local govern-ments to correct what could be corrected. At the start, we'll probably write insurance; then if we get socked with extraordinary losses, we'll go in and demand-and probably get-some zoning."

"In the past," one authority says, "all the effort has been to keep water away from people; now, we're trying to keep people away from water. This is a pretty big order and we know it's going

to take time." END



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# In Washington

### Sen. Johnson Asks Federal Aid For Developing Water Supplies

Two Texas Democrats in Congress are proposing a new dimension in national water policy. The idea put forth by Senate Majority Leader Lyndon B. Johnson and Rep. James C. Wright is this: Let the federal government aid states and localities in the development of municipal and industrial water supplies by purchasing their tax or revenue bonds.

Johnson and Wright envision a 10-year program, with the Treasury taking up to \$2-billion of such bonds at a rate not to exceed \$200-million in any one year. The plan is not likely to be voted this year, but is noteworthy because of Johnson's influential position. Such new ideas generally need a year or two to mellow before Congress acts.

Among other things, the Johnson-Wright approach would encourage state and local governments to reach out with pipelines to distant water supplies—a possible solution to the water problem that is receiving more serious attention these days, particularly in the parched Southwest.

### Veterans Relieved of Liability For GI Loans on Homes They Sold

Veterans selling the homes they bought with GI loans get a break under a new Veterans Administration rule. From now on, the veteran can be relieved of liability providing the new purchaser assumes the loan and comes up to VA credit standards.

Hitherto, if the new purchaser defaulted, the original veteran was liable for paying the GI loan in full. In its new rule, the VA makes two points:

 The federal guarantee of the GI loan is not affected by release of the veteran from liability.

• The release from liability under one loan does not automatically restore the veteran's rights to a GI loan to buy another home.

### Administration, Congress Square Off For New Fight on Power Policy

A new fight over the partnership power policy is building up between Congress and the Administration. 'At issue this time is a proposal that Pacific Gas & Electric Co. take over the power facilities and falling water at the Trinity River Dam, which is part of California's Central Valley Project.

Opposition to the plan, negotiated by the Bureau of Reclamation and PG&E, stems from the fact that pref-

erence rights of public power groups would be bypassed. Western Democrats in Congress lost no time in raising protests. This week, they were joined by Republican Sen. Thomas H. Kuchel of California, who says the proprosal constitutes "emasculation of power preference."

In another development, the Federal Power Commission indicates it officially will ignore Interior Secy. Fred A. Scaton's study of Pleasant Valley as a potential site for a high federal dam. Now pending before FPC is an application by Pacific Northwest Power Co. for a license to develop the Mountain Sheep-Pleasant Valley sites on the Snake River in the Northwest. Scaton neither intervened formally nor asked FPC to delay consideration of Pacific Northwest's application. He merely told the commission that the feasibility of a high dam at Pleasant Valley is being studied.

### Tax Cheating Costs More and More— Whether or Not You Do the Cheating

The cost of cheating on taxes is going up—for cheaters and honest taxpayers alike. More fraud is being detected, and everybody is paying more dearly for it, says the annual enforcement reported of the Internal Revenue Service. Highlights were:

• Federal sleuths turned up 2,580 criminal fraud cases last year, recommending \$112-million in back taxes and penalties. In 1955, there were 1,942 cases involving \$106-million.

• Tax evaders got a collective \$2.7-million in fines and 2,824 years in prison. The year before it was \$2.4-million and 2,527 years.

• In fiscal 1956, IRS spent \$15.1-million on enforcement. Spending in fiscal 1957 will be about \$15.7-million and IRS will ask for \$16.7-million in fiscal

For the first time in 10 years, IRS did not break the would-be evaders down by professions; it reports the data was not available. For years, the American Bar Assn. has been fighting the breakdown, saying it unfairly imputed guilt to entire professions.

### House Committee Rules Out

#### Rise in VA Interest Rates

If Congress strings along with the influential House Veterans Committee, there will be no increase in the VA interest rate from 4½% to 5%. The committee this week rejected an Administration request to permit the increase in VA rates to match the 5% rate established by Federal Housing Administration last year.

The committee instead approved a bill that would authorize the VA to make advance commitments to builders that a direct loan will be forthcoming on a specific house under construction for a veteran in non-urban areas. The bill also increases from \$10,000 to \$12,500 the maximum the VA can make in a direct loan to such a veteran unable to find mortgage money at 4½%.



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### INTERNATIONAL OUTLOOK

BUSINESS WEEK FEB. 23, 1957



Washington is getting its first taste of what it means to be responsible for peace in the Middle East (page 30).

At midweek Pres. Eisenhower was at odds not only with Israel but with Congress as well. And he was in danger of finding Western Europe again upset over U.S. policy.

However, Eisenhower's address to the nation on Wednesday was meant to convince all quarters that he means business about (1) getting Israel to withdraw from Gaza and from the Gulf of Aqaba; and (2) enforcing a rule of law against any belligerence in the area.

Early this week Soviet Premier Bulganin attacked the Eisenhower Doctrine, claimed that it puts the Arabs in danger of a nuclear war.

This is so much bombast. It is aimed to cover up the foreign policy problems Moscow faces. It doesn't mark a return to Stalin's cold war strategy any more than the change of Soviet foreign ministers does.

The replacement of Dmitri Shepilov by Andrei Gromyko stems, in fact, primarily from strains within the Communist camp. Shepilov, a Khrushchev protege, is being made the scapegoat for the setbacks the Khrushchev-Bulganin regime has suffered in Eastern Europe.

As Moscow wrestles with the satellite problem, and with the Soviet economic crisis (BW—Feb.16'57,p44), there may be more topside changes in the Kremlin.

Bulganin, for one, seems to be slated for eclipse. And Khrushchev's power already has been trimmed down in both economic and foreign affairs.

The fate of the Gomulka government lies in the hands of the West—in the amount of trade that develops between Poland and the Western nations.

Unless Gomulka can get substantial imports of food, raw materials, and machinery from non-Communist sources, he won't be able to improve economic conditions. That could undermine his popular support. He has gained this largely from promises that he would raise living standards.

This explains why the Eisenhower Administration plans to grant up to \$100-million in economic aid to Poland, mostly for grain and cotton. (A Polish mission is due in Washington this week.) It also explains why the British and Germans are ready to offer special long-term credits for the purchase of mining machinery and other types of industrial equipment.

There is general agreement in all the Western capitals that, Communist or no, Gomulka should be helped by trade and aid.

The feeling is that if Tito deserved help so does the Polish leader. A case is made that Gomulka is pursuing a more independent course in all domestic affairs than Tito ever did. Already he has broken from the Communist economic pattern by (1) giving up collectivization of agriculture; (2) dropping the priority of heavy industry over light; and (3) permitting private enterprise in light industry and trade.

Western Europe this week moved a step closer to economic unity.

The leaders of Europe's "Six" (France, West Germany, Italy, and the Benelux nations) agreed that treaties for a customs union (Common Market)

### INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK FEB. 23, 1957 and a nuclear pool (Euratom) should be signed by March 20. Then Premier Mollet of France said privately that he plans to push at least the Common Market treaty through the National Assembly in a hurry—well before Easter.

If Mollet can pull this off, look for the whole unity movement to roll along. The Macmillan government in Britain is sold on the idea of building a free trade area that would associate the rest of Western Europe with the six members of the Common Market. In fact, Chancellor of the Exchequer Peter Thorneycroft has the authority to get a draft convention for the free trade area ready by July.

While the U. N. this week discussed the Indonesian-Netherlands dispute over sovereignty in Western New Guinea, the Republic of Indonesia's domestic crisis is reaching a crescendo.

Pres. Soekarno—whom both the West and the Communists tried to win over in his world tour last year—has come out for "guided democracy." In effect, Soekarno asks for a dictatorship for himself, limited only by a so-called advisory council. And he wants a leading role for the powerful Indonesian Communists in the council.

The non-Communists seem powerless to halt this project. If Soekarno goes ahead it will mean the breakup of the Republic. Anti-Communists and local groups are already in revolt in large areas of the country outside Java. Soekarno and the Communists would probably be able to maintain the central government's authority only in Java.

What's at stake is 85-million people's allegiance in the cold war and one of the world's potentially richest countries—including the most important oil deposits east of the Middle East.

Britain's auto industry—hit badly by the Suez crisis and gas rationing—seems to have made a miraculous recovery.

The big fire last week at the Jaguar plant was, of course, a setback (page 147). But Vauxhall Motors Ltd. (General Motors' British subsidiary) and British Motors Corp. (Austin and Morris)—two of Britain's "Big Six"—report a sudden spurt in demand. Vauxhall has taken back 1,500 of the 2,000 employees fired during the Suez emergency. It says the reason is the almost instant success of its new Vauxhall Victor model. Morris also reports big orders—particularly in the dollar area—for its new Morris Minor and the new MG.

Lebanese observers expect fireworks to go off in neighboring Syria where Communists have gained a stranglehold on the government through infiltration of the army high command.

The event that tripped the highly explosive situation was the murder this week in the streets of the Lebanese capital, Beirut, of a prominent Syrian anti-Communist exile. He was Col. Ghassad Jedid, leader of the powerful Syrian Social National Party. Jedid was under sentence of death in absentia by a Syrian Communist-style show trial. And Lebanese authorities believe he was assassinated by Syrian army goons who violated Lebanese territory.

Jedid's party, now outlawed in Syria, is powerful and will almost certainly try to avenge his death. The Lebanese say the whole affair could be the opening blow in another Middle East upheaval.



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But George, that was my old desk. In my old office. I wanted my son to sit there.

George: It'll make nice kindling, Bill.

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Bill: But I left a thriving business to my family. What happened?

George: You're asking me?

Bill: You mean the Man from Equitable was right?

George: Didn't he tell you that the more valuable the business, the higher the inheritance taxes?

Bill: Uh huh.

George: Didn't he tell you your family might have to sell your holdings-the business, in other words-to pay the taxes? V

Bill: Uh huh.

George: Didn't he agree with your lawyer and banker that the new kind of Equitable policy protects your family and business?

Bill: Uh huh.

George: That Man from Equitable .

Bill: Yes, George. George: He was right.

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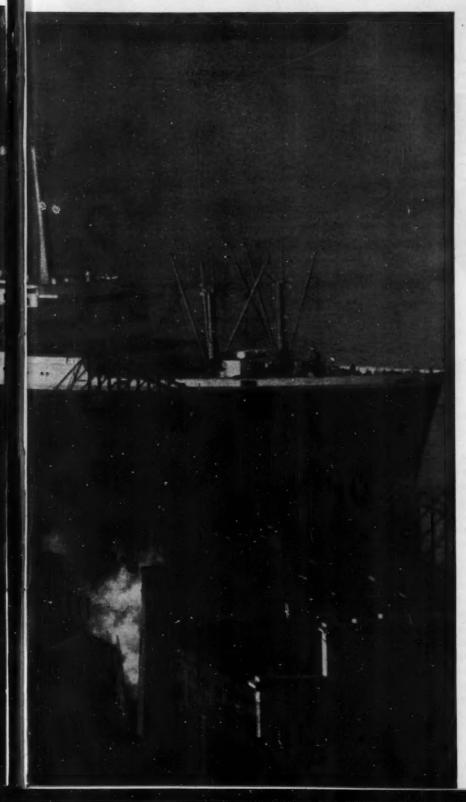
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MANAGEMENT

# To Pilot a Ship Line, It Takes



### a Canny Captain





American Export Line's new navigators Mrs. Charles U. Bay and Pres. John F. Gehan (above) must guide the company through world turmoil—under a strict governmental thumb.

Among the thousands of ships plying the world's trade routes are those of 15 American companies that have chosen to operate under the Maritime Act of 1936. For them, every ship, every port of call, and every voyage is subject to government regulation.

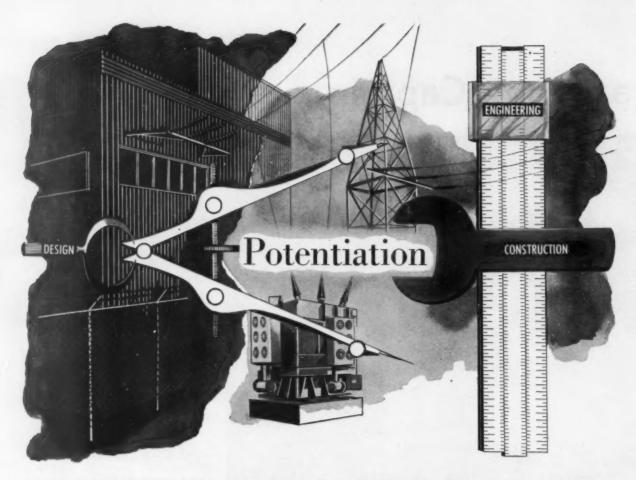
To operate a shipping company under such tight outside supervision can be a tricky business. On the one hand, the personnel of the government board that administers the rules and the Congress that approves the budgets is constantly changing. On the other hand, so are world conditions. There are many factors bearing on these companies, in short, that their managements are unable to manage.

• Good Example—One of the better practitioners, however, is the fourth ranking line (in terms of gross tonnage of its ships), American Export Lines. Since last fall, American Export has been undergoing a gradual strengthening of its management in preparation for a drive to expand and improve the company within the act's framework.

The strengthening process reached its culmination this week in the election of a new president, John Francis Gehan (cover).

Gehan (pronounced Ghee-han) has been running Export off and on for a

LUXURY LINERS Constitution and Independence, rarely seen together, are the pride of American Export's 30-ship fleet.



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NEW TEAM at head of Export includes Frazer A. Bailey, managing director. He was formerly with Matson Navigation Co.

number of years, subject to final approval from John E. Slater, the former president. Slater, besides being the head of Export, was-and is-the senior partner of the industrial engineering firm Cloverdale & Corpitts, a job that took him away from the steamship company part of the time.

Last December, Slater retired at the age of 65. And at a board meeting this week in the captain's dining room of the SS Independence, Gehan, who had been executive vice-president, was elected to succeed him. Gehan, incidentally, is 63-which means he will also have to retire in two years.

· Phases-The first phase of strengthening the management came in September, 1956, when the directors set up an executive committee. Later they named Mrs. Charles Ulrick Bay (cover) its first chairman. She is the company's largest single stockholder, owning over 300,000 shares, or approximately 25%

Then, last week, the executive committee met and elected Frazer A. Bailey, one-time president of Matson Navigation Co. and its wholly owned subsidiary, Oceanic Steamship Co., managing director. Joseph A. Thomas, a partner in Lehman Bros., remains as Export's chairman of the board.

#### I. Child of World War I

American Export owns 24 "Exporter" type freighters specially designed for its routes and cargoes, four combination passenger-freight vessels, and two luxury liners, the Constitution and Independence (picture, page 164).

Its routes extend from the North Atlantic coast of the U.S. to the Mediterranean, and on through the Suez Canal to the Persian Gulf, the Indian Ocean, and the Bay of Bengal.

From the United States it carries cargoes that are a cross-section of American industry. On the return trips it brings tobacco, tea, rubber, jute, burlap, long staple cotton, and a host of other commodities. Officials of the line have a private joke over its importance to the cocktail "business": It is a leading carrier of maraschino cherries, olives, and French and Italian vermouth.

· Beginnings-In telling the history of American Export, Gehan takes his listeners back to World War I, when the United States had next to no merchant marine. During the war, however, it did have a shipyard-which turned out freighters known as Hog Islanders, after the yard where they were built.

Following the war, the government tried to relaunch an American merchant fleet by allowing private operators to sail Hog Islanders for the government account. Then, in 1925, it got out of the shipping business by selling these vessels to the private operators.

One of these was Henry Herbermann, who had the Mediterranean as his assigned route. His line was the Export Steamship Corp., predecessor to Amer-

ican Export Lines.

· Empty Holds-Then, as now, a major problem confronting Export was locating westbound cargo. The U.S. was exporting heavily, but the shipping line was having difficulty filling its holds for the return voyage.

To solve this problem, Herbermann hired Gehan in 1925 and sent him to Genoa. Although Gehan would be the last to accept such an accolade, observers consider him a major reason for

Export's present prosperity. "Gehan," once said a reporter, "is super salesman." Said another: "He could be elected mayor of any city on the Mediterranean. He knows everybody." The new boss of Export, who frequently refers to himself in the plural, says merely: "We had a job to do and we did it."

"When we got there," he explains, "we found freight originating in Syria and Turkey being shipped down the Tigris and Euphrates Rivers to the Persian Gulf. From there it was taken to English Channel ports by tramp steamers, where it was then transshipped to the U.S.

By offering a service on which the goods were never transshipped, which went straight to America, and which was as regular as clockwork, we created new business for the line. Before we got there, the average homebound cargo was 800 tons a ship. The average cargo on the first 20 ships after we got there was 2,800 tons.

· Peripatetic-Although Gehan's headquarters were in Genoa for 15 years, he rarely staved there.

While he was circling the Mediterranean, dealing with everyone "from Basques to Bedouins" and always clinching his deals only by a handshake, Export Steamship continued to grow. In 1929, it started building its first combination passenger-freight ships. These were built by New York Shipbuilding Corp. and completed in 1931.

"If it hadn't been for those ships," says Gehan, "we wouldn't be in busi-

ness today."
• Decline-Be that as it may, these ships were instrumental in the downfall of Herbermann. To pay part of the cost, he mortgaged the line with the government. In lieu of the rest of the cash, New York Ship, the Philadelphia National Bank, and the Central Han-over Bank & Trust Co. acquired a second mortgage on the line. This group insisted that Herbermann, who owned all the stock in Export Steamship, take on as his adviser John Slater, then a young partner in Coverdale & Colpitts.

Soon after acquiring the ships, Export began to fall behind on its payments to the government. It also defaulted on its obligations to the New York Ship group. When, in 1934, the government threatened to foreclose the first mortgage and swallow the lineships, route, and second mortgage-the New York Ship group took over Ex-

Later that year, however, the U.S. Shipping Board decided it was improper for a shipyard to own a ship line that was dependent on federal mail payments. So New York Ship started look-

ing for buvers.

port's operation.

· Eager-When the shipbuilder first took over, Slater had persuaded his boss, William H. Coverdale, to become Export's president. In his search for buyers, Coverdale asked a shipping enthusiast friend, Joseph Thomas of Lehman Bros, if he would be interested.

Thomas was. He put together a small syndicate, including "a few Lehman people," himself, Coverdale, and people," himself, Coverdale, and Charles Ulrick Bay. With a loan from the Bankers Trust Co., they acquired for \$1.5-million what has become one of the most important American flag shipping lines with one of the most lucrative trade routes.

Because Coverdale sat on dozens of boards and headed Coverdale & Colpitts, it was Slater who ran the line subject to Coverdale's approval.

· Distaff-During the years that followed Bay acquired larger and larger holdings in the ship line. After World War II, he was made U.S. Ambassador to Norway, a post he held for five years. He died in 1955. Mrs. Bay succeeded her husband as director of American Export in 1955 when he became ill, and rose to the chairmanship of the executive committee last fall.

Of her present duties with the line, she says: "I'm not in it only to make money. If I were, I'd buy tax-exempt bonds, sit home, and clip coupons. But



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during the years we were in Norway, I listened to my husband say what he planned for Export. I have a big stake in this, and I am going to work as hard as I can to see that his plans come true."

#### II. A Regulated Future

The initial step of the expansion and improvement program on which the new management team has embarked will be the replacement of the four oldest freighters. Plans for bigger, faster ones have already been filed with the Maritime Board. In the years ahead, Export is due to replace its other 20.

Studies are also under way on the feasibility of expanding the passenger business, which in 1955 brought in \$17.7-million in gross revenues compared with \$42.3-million in freight. This may mean building another luxury liner, or it could mean replacing the combination passenger-freight vessels with bigger ones.

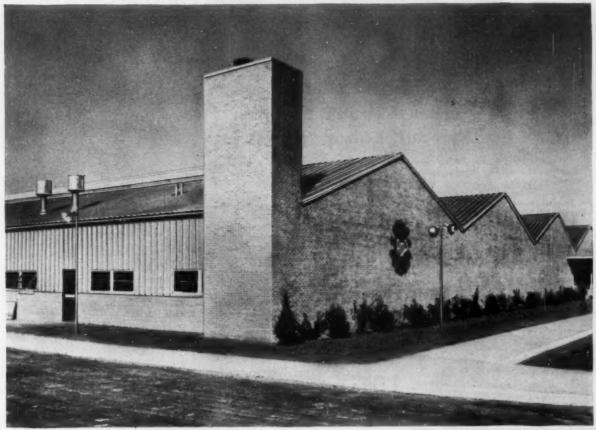
Finally, American Export is considering trying to extend its routes.

• Hurdles—None of these steps is going to be easy. Every time the company replaces an old ship or adds a new one to the fleet, government help is required—in the form of construction differential subsidies, since the ship must be built in an American yard. And if Export wants to extend its routes, it must get permission—because the government will be called on to provide operating differential payments.

The Maritime Act where all this is spelled out is lengthy and very complicated. Its chief points, though, provide conditions under which shipping lines can operate American-built ships, manned by American seamen, on certain "essential trade routes" that the Maritime Board assigns.

Under the terms of the contracts signed between the board and the shipping lines, the lines are given a minimum and maximum number of voyages to make a year. Ports along the route must also be served a certain number of times, whether there's a profitable cargo there or not. In return, the board agrees to pay each line the difference between the cost of a voyage with an American crew and American insurance, and the average costs of the foreign competition. This usually amounts, in Export's case, to about 40% of the total.

 No Cinch—As the management of American Export is quick to point out, these subsidies don't guarantee the line a profit; they only equalize costs with those of the competition. When times are bad and all shipping lines are losing money, Export will probably lose money, too. When times are good, as they are now, Export makes money. If it makes enough the government can,



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### **BUSINESS WEEK**

Classified Advertising Division
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up to a point, take back its subsidy. Here's the way that works:

The Maritime Act says that when a year's earnings from subsidized operations exceed 10% "of the capital necessarily employed in the business," the excess must be placed in reserve.

At the end of a 10-year period, if a line has earned more than this 10%, the government recaptures up to 100% of its subsidy, provided it doesn't take more than 50% of the money deposited in reserve.

Gehan will proudly tell you: "At the last 10-year accounting in 1948, the government recaptured every nickel it paid American Export in subsidy. Next year," he adds, "we'll have another accounting; we're in a recapture position right now."

 On Their Own—Because the cost of shipbuilding is soaring, the cash accumulated from a fully depreciated vessel isn't enough to pay for a replacement, after the construction subsides. So the shipping companies can—with Maritime Board approval—make voluntary deposits into reserve funds.

If American Export gets permission to deposit 1956 earnings in the reserve funds, where they aren't subject to income taxes, it can net approximately \$11-million, up from \$3-million in 1955. If it can't, earnings for 1956 will still be about \$6-million.

The climbing freight rates that began even before the Suez Canal flareup, and the shortage of shipping that resulted from the canal's, blockage undoubtedly had a favorable effect on Export's revenues. But world conditions have acted in an unfavorable way, too.

• Minus—The line's route goes right to and extends through the troubled area. To avoid conflict, ships stopping at Arab ports avoid Israel and vice versa. This isn't so easy as it sounds, because under the contract with the Maritime Board, Export must continue to serve ports in both areas. The result can sometimes be two half-empty ships sailing westbound through the Mediterranean instead of one full one.

Also, ships from Burmese and Indian ports must now go around Africa instead of coming through the 'canal. Where they were once able to "top off" their cargo at Mediterranean cities, they, too, must occasionally sail home partly empty.

• Plus—Despite these difficulties, optimism generally prevails at American Export. The company has been able to reduce terminal costs sharply at its new pier in Hoboken, N. J. It has been filling in the "chinks" in its passenger business by offering special cruises, including new "sea-air" package trips to Europe. And the freight rates to the Mediterranean, which have been climbing steadily in the past months, went up another 10% on Feb. 1. END



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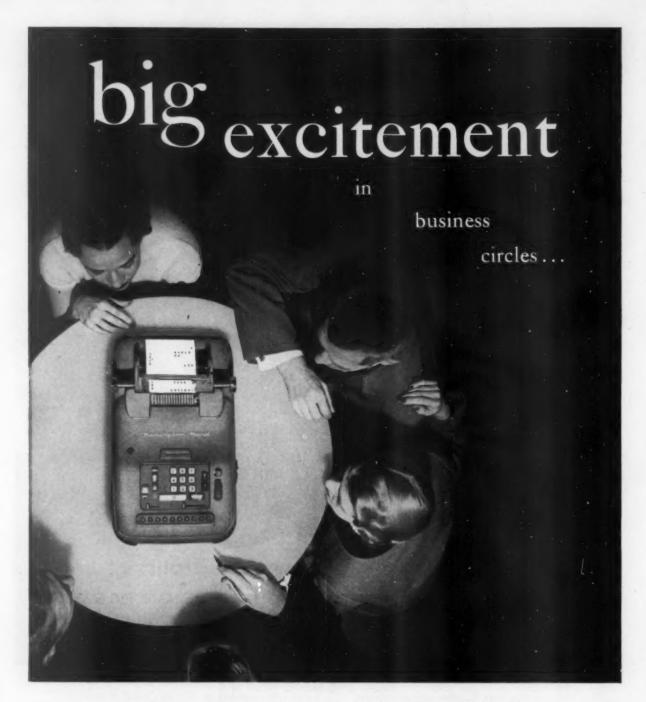
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## In Management

### Glen Alden Wants to Diversify Again, But Proxy Fight Brews to Stop It

Another big proxy fight is in the making—this one at Glen Alden Corp., giant U.S. anthracite producer. The fight is over a proposal to acquire the business of Maremont Automotive Products, Inc., Chicago maker of torsion bars, mufflers, leaf springs, and other auto parts.

The plan—outlined over the signatures of four out of seven members of the Glen Alden board—calls for the coal company to set up a new subsidiary, which would purchase Maremont's inventories, receivables, and equipment and take its land and buildings on a long-term lease. Maremont would get \$909,000 cash, 250,000 shares of Glen Alden stock, and five of 12 seats on an expanded Glen Alden board.

The proposal has gone to stockholders of both companies—over the objections of two top Glen Alden officers, Chmn. Gilbert S. McClintock and Pres. Francis O. Case. The dissidents contend, with some stockholders' support:

There's no assurance Maremont's earnings will continue to be satisfactory, and the price is too high anyway.

 Five board seats and options on 90,000 shares of stock promised Maremont officials are out of proportion to the acquisition's earning power.

 The price of \$10 per share for Glen Alden stock, used in negotiations, is below the present market.

Glen Alden has already become diversified, by acquiring Ward La France Truck Corp. and the Mathes Co., Texas maker of air conditioners. In 1956, Mathes showed enough profit to bring the parent earnings of around \$1.5-million despite losses in its other two operations.

### Industry Beats the Bushes To Fill Top Management Jobs

It's even harder to find good men to fill top management jobs than it was five years ago, when the market was already tight. So says the American Management Assn. as a result of its survey of executive hiring practices and problems.

Because of the scramble for skilled management men, most businesses are forced to hire some outsiders to fill middle and top management jobs, the study reports. More than 40% of the companies surveyed hire better than 10% of these executives from without, the practice being most prevalent among smaller concerns.

The best source of these men, AMA member firms said, is from among acquaintances of executives in the company. Advertising is helpful, some find, and professional searchers, both consulting firms and commercial employment agencies, find supporters among company personnel men. Unsolicited applications, although rated last, are the best source for some respondents.

Most frequently, the final choice of who is hired

is not up to a single individual. In only 10% of the cases involving top management and 25% of the cases involving middle management is the final choice—when it's to be an outsider—left to the man who will be the new executive's immediate superior.

### Employees' "Thank You" Note Is a Two-Week Trip to Mexico

Mr. and Mrs. E. Clairborne Robins, president and secretary, respectively, of A. H. Robins Co., Inc., are sporting a fresh tan at their Richmond (Va.) pharmaceutical plant. They have just returned from a two-week vacation in Mexico, Panama, and Venezuela, paid for by Robins' 170 plant employees and some 100 detail men as a "thank you" for many previous jaunts that they have given the employees at company expense.

It began in 1949, when Robins decided that the musical South Pacific was a show to see. He shut his Richmond plant and took the entire work force and their families to New York to see it. In Manhattan, he picked up the tab for the group trips to night clubs and such, and gave each guest \$100 for spending money.

The New York trip was such a success that Robins repeated it two years later. Then, in 1954, Robins celebrated the opening of his new \$1.5-million plant by closing it and taking everyone on a four-day autumn outing at Miami Beach. In addition to these long jaunts, it's not unusual for him suddenly to close down on a sunny summer day and take everyone off to a picnic or a fishing trip.

So, to mark Robins' 20th anniversary as president, the employees got together and collected \$4,200, informally handed it to the boss at the Coke machine last April. He and his wife just got around to taking the trip.

### Management Briefs

International Business Machines Corp. has sold its first large-scale computer since the electronic brains were offered for sale as well as lease under the terms of a Justice Dept. consent decree. Prudential Life Insurance Co. paid \$947,000 for the elements of a model 705 computer, will use it to send premium notices to 8-million policy holders among the Eastern seaboard.

The two parents of Pan American-Grace Airways, Inc., are fighting over her upbringing. W. R. Grace & Co., half owner, asked the Civil Aeronautics Board for an extension of the airline's route northward into the U.S. from its present terminus in the Canal Zone. Pan American World Airways, Inc., the other owner, says such a request violates a 99-year agreement.

Continental Can Co., Inc., last year pulled into the No. 1 spot in the container industry, with sales slightly over \$1-billion. American Can Co., which always before has been top dog, estimates its sales at \$771.6-million. Continental's boost came largely from its acquisition of Hazel-Atlas Glass Co. and Robert Gair Co., Inc. (BW—Sep.22'56,p88).



You wouldn't buy a bolt, wait until you needed it, and then go look for a nut to fit it. If you need one, you know you'll need the other.

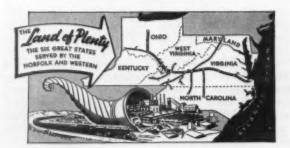
If you decide to build a new plant, start the search for a site at the same time. Plants and plant sites are like nuts and bolts... you need them both, and they have to fit. Architects and builders can make them fit — up to a certain point. Unfortunately, they can't build manpower, nearness to markets and other vital industrial factors into your plant. So finding the right location is basic groundwork in more ways than one. Plan your plant from the ground up. Don't wait until you're ready to build to look for a place to build — especially when it costs you nothing to have a skilled plant location team do your groundwork.

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### THE MARKETS

### Wall St. Talks . . .

... about the bond market ... the impact of bad news on stock prices ... payroll costs ... market yardsticks.

Divided opinion on bonds: According to one money market expert, the recent bond market advance "has now been sufficiently broad and extensive to indicate that the downtrend has come to an end and another trend is developing—toward lower interest rates." Advises another: The "advance seems to have run ahead of basic supporting factors." Thus, bonds "do not appear to be bargains today. New underwritings will continue . . large in coming months, and we believe they will afford better buying opportunities than" now available.

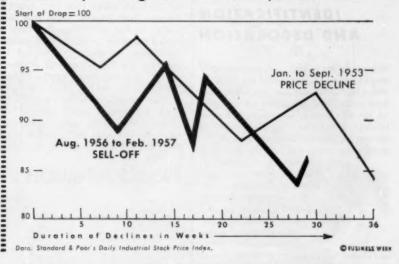
Another rumor is exploded. Olin Mathieson Chemical Corp., says Pres. Thomas S. Nichols, has no intention of selling its E. R. Squibb & Sons Pharmaccutical Div. despite the Street rumors to the contrary.

Terrific impact of bad news on stock prices lately is demonstrated by this example: The shares of Howe Sound Co., long-time operator of base metal mines, promptly nosedived 20%, or from \$14.62 to \$11.75, when the company cut the quarterly dividend rate from 25¢ to 10¢ Tuesday. The cut was made because of anticipated lower earnings stemming from "substantially lower copper and cobalt prices. . ." Trades involving only some 2% of the company's outstanding shares caused the drop.

Payroll costs are becoming even more important, for some companies. Last year, Endicott Johnson Corp., a leading shoe producer, paid employees, directly or indirectly, some \$71-million, or 47% of all its sales income. Wage, salary and commission payments, it says, totaled \$58.4-million, almost 39% of its \$151-million of sales. Another \$12.8-million, or over 8%, went to finance employees fringe benefits.

What goes on inside a market yardstick. When one much-followed 50stock combined average scored a small gain one day recently its sponsor felt it necessary to make this explanation: The rise "was due to the strength of... [two components] ... both heavily weighted because of former stock splits. Had either closed unchanged the ... average would have shown a loss."

### How the Drop Since Last Summer Stacks Up Alongside 1953's Major Sell-Off



### Death Knell or Respite?

Bears say the market boom is dead; bulls say it's resting, as it did in the 1953 slump.

The endless wrangle of the bulls and the bears is reaching some sort of peak. And for all of the market's downdraughts, the bulls on some points are able to make a rather sounder argument than the triumphant pessimists like to admit. Essentially, the contestants take these opposed positions:

 For the bears, the record high reached last August also marked the official death of the bull market that began in mid-1949, and has since run longer and richer than any market boom in history.

For the bulls, the sustained falloff since last summer has been merely
a period of consolidation. They call it
a "pause that refreshes," like the slump
in January-September of 1953, from
which emerged a buying drive so powerful that in three years it added 140%
to Standard & Poor's daily price index
of 50 industrial stocks.

• Longer Fall—The bears are on solid ground when they say that in points lost there is little resemblance between the declines of 1953 and of 1956-1957. In the earlier decline, S&P's 50-industrial index never fell more than 43 points, while last week it was off 85 points from its record high in August. Even early this week, despite a technical rally, it was still down 71 points. Furthermore, the bigger recent drop has taken place in fewer weeks of fall—a period shorter by 20%.

But the bulls have some telling

ripostes. They point to the different starting points of the two declines. In 1953, the industrial index started down from 270; last summer the take-off was 531. So if you figure the declines as a percentage (chart above), there is little difference between them except in elapsed time.

Again, the bulls are able to point with pride to some other surprisingly close resemblances between the two declines.

• Stagnation—In the first nine months of 1953, prices kept dropping after having spent the previous year virtually in the doldrums. During 1952, S&P's industrial index held to a relatively narrow range, barely shading 250 on the up side and never falling below 232.

The same was pretty much true in 1955-1956. In the long consolidating period from Pres. Eisenhower's heart attack to early August, floors and ceilings were firmly fixed in a range not much different from 1952.

From this point on, though, the bears are able to hold the edge in the argument. They can show that there were never so many definitely bearish "signals" as there have been of late. That was notably true last week when both industrial and rail averages smashed down through the resistance levels impregnable for so long (BW–Feb.16'57,p171).

When the industrial index broke through the oft-tested but durable floor to a 16-month low, it ended the doubts of many Streeters whether this is now a bear market. Most took the break-through as confirmation of earl-

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five million sports shirts a year, however, he has replaced preprinted or woven labels bought from an outside source with labels printed on our 126C automatic machine. Saves him about \$2.00 per thousand labels, and inventory problems

and obsolete labels are things of the past. Goes to show what the right method can do, and how we may be able to help you find it.

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The 90S, as we call it, is so new that only a few are "in the field", but we've heard many enthusiastic comments. Those of you who make such things as cosmetic containers, printed circuits, play shoes, instrument dials, plastic bowls, etc. may find the

90S worth looking into.

The familiar "45" . . . Our "45" machines will probably never enjoy quite the same fame as Mr. Colt's, but they are going great guns. Five years ago this spring we built the first one, and just now serial no. 1100 has been shipped. Nine different models presently comprise the 45 series, and their field stretches from boxes, bags and die cut labels to resistors, condensers and transistors; plumbing fixtures and lollipop sticks to ignition parts and plastic novelties. Markem "45's" can't mark everything (we make about 40 other basic types of machines), but they do illustrate the many jobs a well-designed standard machine can do.

Markern has devoted 46 years to developing marking machines, elements and compounds—and the best ways to use them. If experience like this can help you, call Markern Machine Co., Keene 33, New Hampshire.



ier signs that to them had suggested that a major bear trend was starting last summer.

• Prove It!—Even some of these convinced bears admit that they might be wrong: their crystal balls had been known to fog up before. But they say that it's now up to the bulls to produce hard proof of their thesis. And this pudding, say the bears, will be harder in the proving than it was in mid-September of 1953.

They point out quite correctly that stock prices were much lower at that earlier date, and the market psychology was vastly different. In 1953, few potential participants in the stock market were worrying about these major matters of today's concern:

• The signs that the business boom may be leveling off.

The record size of inventories.

 The keen competition in a growing number of trades.

The impact of rising operating costs on corporate profit margins.
 The Mid-East situation.

 Tight money, and the fact that the yields of high-grade bonds are close to many stock yields, and often top

 The cutbacks in capital spending already announced by a number of major companies.

### 1956-57 Sell-Off vs. 1953 Price Weakness

	Au	. 1956-Feb. 1	957			
	Aug. 1956	Recent		1952	Sept. 1953	
Stock Groups	High	Level	Losses	Close	Low	Losses
Agricultural machinery	171.2	169.7	- 0.9%	162.9	124.6	-23.5
Aircraft manufacturing	775.6	760.8	- 1.9	201.9	191.7	- 5.1
Air transport	587.8	*450.4	-23.4	391.8	274.1	-30.0
Aluminum	1734.8	1172.2	-32.4	371.9	342.6	- 7.9
Automobile	493.4	*410.3	-16.8	261.1	202.4	-22.5
Auto parts, accessories	283.4	257.1	- 9.3	175.3	143.0	-18.4
Auto trucks	301.6	277.8	- 7.9	114.5	104.7	- 8.6
Building materials	426.3	359.4	-15.7	169.1	151.2	-10.6
Carpets, rugs	129.3	131.1	+ 1.4	125.9	101.1	-19.7
Chemicals	492.0	*399.9	-18.7	255.4	234.6	- 8.1
Cigarette manufacturers			- 6.0	85.5	92.6	+ 8.3
Cigar makers	97.6 192.8	91.7		101.7	92.6	- 8.9
Coal—bituminous		198.3	+ 2.9			
Confectionery	1019.8	938.3	- 8.0	477.5 124.7	354.7 122.5	-25.7 $-1.8$
	161.3	*150.0	- 7.0			
Containers—glass	233.8	*176.9	-24.3	124.7	117.0	- 6.2
Containers—metal	171.1	*145.9	-14.7	110.1	107.2	- 2.6
Copper	341.1	261.1	-23.5	182.0	137.2	-24.6
Distillers	490.5	450.0	- 8.3	389.8	356.1	- 8.6
Department stores	369.2	*310.5	-15.9	264.4	251.5	- 4.9
Drugs	198.5	179.2	- 9.7	205.8	161.7	-21.4
Electrical equipment	423.8	365.3	-13.8	184.7	171.2	- 7.3
Fertilizers	439.0	383.1	-12.7	485.7	384.3	-20.9
Finance companies	271.3	247.0	- 9.0	166.6	138.4	-16.9
5e, 10e, \$1 chains	124.1	*105.6	-14.9	125.4	119.1	- 5.0
Food companies	212.5	*188.9	-11.1	158.5	157.0	- 0.9
Food chains	365.0	0329.2	- 9.8	275.8	280.8	+ 1.8
Gold mining	55.0	58.3	+ 6.0	60.9	55.1	- 9.5
Lead, zinc	128.1	105.0	-18.0	115.1	85.4	-25.8
Machine tools	470.2	*369.5	-21.4	178.4	184.8	+ 3.6
Machinery—construction	544.7	516.1	- 5.3	195.2	162.3	-16.9
Machinery-industrial	434.0	433.7	- 0.1	193.6	168.0	-13.2
Machinery-specialty	152.7	155.3	+ 1.7	73.4	64.9	-11.6
Metal fabricating	424.1	*348.0	-17.9	174.6	165.5	- 5.2
Mining, smelting	293.6	264.9	- 9.8	137.7	105.9	-23.1
Motion pictures	242.0	220.1	- 9.1	146.9	136.7	- 6.9
Office, business equipment	852.3	821.5	- 3.6	258.4	237.8	- 8.0
Oil—crude producers	1184.1	1043.8	-11.8	726.8	588.4	-19.0
Oil-integrated companies	662.5	577.7	-12.8	306.2	261.8	-14.5
Paper	1890.3	*1411.9	-25.3	640.4	584.6	- 8.7
Printing, publishing	242.6	215.9	-11.0	120.3	104.1	-13.5
Radio, TV. electronics	412.2	321.6	-22.0	322.7	260.5	-19.3
Railroad equipment		148.1	- 8.8	102.9	91.5	-11.1
Rayon acetate yarn	305.1	266.8	-12.6	481.6	296.1	-38.5
Shipbuilding	463.2	627.3	+35.4	265.1	227.6	-14.1
Shipping	889.8	1003.1	+12.7	557.5	490.0	-12.1
Shoes	148.0	138.9	- 6.1	121.2	120.5	- 0.6
	316.2		-16.4	205.0	184.1	-10.2
Soaps	123.4	264.5	-10.4	102.4	100.0	- 2.3
Soft drinks	554.3	111.0	-10.0 - 5.5		174.8	-17.5
Steel		523.7		212.0		
Sugar	138.1	167.5	+21.3	120.6	98.3	-18.5
Sulphur	416.9	377.7	- 9.4	351.4	337.0	- 4.1
Textile weavers	242.0	*215.6	-10.9	272.0	212.1	-22.0
Tires, rubber goods	1273.9	1132.3	-11.1	534.4	420.4	-21.3
Vegetable oils	236.0	208.8	-11.5	243.7	163.6	-32.9

Data: Standard & Poor's Corp. Weekly Stock Price Indexes (1935-1939 = 100).

\*New 1956-57 lows.









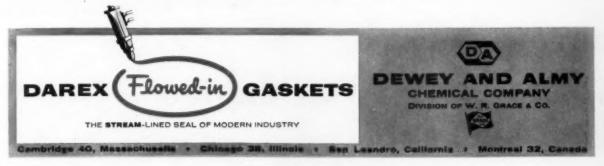
Widespread

consumer satisfaction comes easier for Best Foods' creamy, plantation-fresh Skippy Peanut Butter, because of a secret it keeps beneath its cap—the DAREX "Flowedin" GASKET.

This remarkable flavor seal is an integral part of the Skippy closure. Suppliers use fast-working, cost-saving Dewey and Almy machines to jetline the jar caps with liquid DAREX compound.

Heat-bonded to the cap itself, this ribbon of compound forms a solid hermetic seal. It stands a tight guard on freshness and flavor. Yet a light touch is all it takes to unscrew the cap.

In one form or another, DAREX "Flowed-in" GASKETS are being used to seal over FIFTY BILLION containers of widely varying types in a single year. Continuing research has broadened the scope of the DAREX "Flowed-in" PROCESS to important new uses in the automotive and electronics industries as well. Maybe the complete DAREX "package" including machines, sealing compounds and localized technical service has a place in your plant.



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## PERSONAL BUSINESS

BUSINESS WEEK FEB. 23, 1957



Bird watching has come in for a lot of kidding lately—you've seen the cartoons and parodies, no doubt, poking fun and picturing the bird watcher as something of a rare bird himself. Actually, there wouldn't be so many jokes about this hobby if it hadn't become so well known.

Few other hobbies offer such scope and flexibility.

That's why it attracts at least 3-million people in the U.S.—including teenagers, housewives, artists, camera fans—and a great many businessmen. If you work under pressure, you may be surprised to find that a day of birding refreshes as much as a full week's vacation. If you aren't a golfing, hunting, or fishing man, birding can be the ideal sport. And it can be linked closely with other interests—gardening, photography, sound recording, botany, club work, and travel.

Now is the ideal time of the year to start, incidentally. You get acquainted with winter birds, and then pick up the migrants as they go northward. That way, you don't have too many birds to learn all at once.

There are no cut and dried rules about birding. You can stay in your backyard, or take long weekend trips; you can go in groups (with your local bird club), or by yourself, or you can make it a family outing. And don't let the "bird watching" title fool you. This hobby can be as energetic as you like—some birders climb mountains or wade in marshes by the hour, in all kinds of weather. A typical all-day field trip, though, takes about as much walking as 18 holes of golf.

There's an indoors side to the hobby, too. You can start a collection of books and photographs of birds. Three million volumes on bird finding and identification—not to mention general books on birds—have been sold since 1939. (The Zim-Gabrielson Golden Nature Guide to Birds, Simon & Schuster, \$1.50, alone has sold over 1-million copies.) You'll find hundreds of books on birds, and if you're an amateur photographer, you can do wonders working with your own pictures.

Most bird watchers list the birds they see, either year by year, or day by day, or for a specific locality. The challenge of seeing more and more species is part of the sport. In 1939, Guy Emerson, then vice-president of Bankers Trust Co. of New York, spotted 497 species during the year—many of them while on business trips. This was a record that stood until 1953, when it was upset by an Anglo-American team of birders that covered 30,000 mi. in 100 days to soar well over 500 species each.

From a general hobby of bird study, some of the nation's top businessmen have gained prominence in special-interest fields:

Crawford Greenewalt, president of du Pont, and Roy Wilcox, vicepresident of International Silver Co., are experts at bird photography. Stephen Briggs, chairman of Outboard Marine Corp. and co-founder of Briggs & Stratton Corp., makes a specialty of rare birds on their breeding grounds. R. Gordon Wasson, a J. P. Morgan & Co. vice-president, is a wellknown birder and expert on the study of fungi.

You'll need a minimum of equipment:

• Binoculars—You can do little without them. Most birders favor the 7x35 (magnification of seven times, objective lens of 35 mm.) as giving the best combination of good magnification and light transmission with lightness of weight. The best U.S. or German glasses cost \$150 to \$175. Good Japanese models run around \$70. You can get efficient, compact 6-power glasses that fit the pocket.

Beware of cheap French glasses that have recently been put on the

### PERSONAL BUSINESS (Continued)

BUSINESS WEEK FEB. 23, 1957 market-many of these models are inferior in quality and workmanship.

• Books—You'll need a guide to identification of birds. Field Guide to the Birds, and Field Guide to Western Birds, by Peterson (Houghton Mifflin, \$3.75 each), are the bibles of bird study. Audubon Bird Guide, and Audubon Water Bird Guide, by Pough, are also good (Doubleday, \$3.50 each). Cruickshank's Pocket Guide to the Birds (Dodd Mead, \$2.95) and Barton's How to Watch Birds (McGraw-Hill, \$3.50) are especially aimed at the beginner.

If you want to try your hand at birding during your off hours while traveling on business, you'll want a guide for spotting birds throughout the U.S. A good one is Guide to Bird Finding, Eastern and Western editions, by Pettingill (Oxford, \$6.50 each).

• Recordings—You use them to learn bird songs. Look for a 10-in. long-playing disk, Songbirds of America (\$4.95), and three 12-in. disks, North American Bird Songs (\$7.75 each), made by Cornell University. Check with your record dealer for these and others, or write to National Audubon Society, 1130 Fifth Ave., New York 28, N. Y.

You can start a bird club if you like group activities. NAS will be glad to help you get under way. Robert Hamershlag, of Hamershlag, Borg & Co., New York stock brokers, reactivated a club in his Westchester County neighborhood and built it up to more than 350 members in 10 years.

If you're a do-it-yourself fan, you may want to think about renting tools this spring for jobs around home—things that take special equipment.

It's easy to rent a great variety of gadgets and machines by day, week, or month from tool rental companies. You can get almost anything from a concrete mixer to hand-size gun stapler. You may even want to buy the equipment, once you've tried it. All you do is sign a rental form, and sometimes pay a small deposit if it's an easy-to-break item. If you don't know how to operate it, they'll show you, but some companies ask you to sign a "waiver of liability" in case of injury.

Rental rates vary around the country—but here are a few averages (per day): floor sander—\$4.50; floor edger—\$2.50; electric saw (6-in.)—\$3; wallpaper steamer—\$3; caulking gun—50¢; stapling gun—\$1; electric hammer—\$7; electric post hole digger—\$4.50; concrete mixer—\$8; portable generator—\$13; heavy duty vacuum cleaner—\$4.50.

If you do make a rental deal for some tools, make sure you're covered by insurance in case of accident. Many rental companies carry product liability (defective tool) insurance. But it's wise to check your personal policies to be sure you're protected. A "personal property floater" will cover rental equipment in case of theft or fire, but not if it's damaged by negligent operation or handling. A "comprehensive personal liability policy" covers an injury to a third person—but not to your family (\$12.50 per year for \$10,000). A "blanket medical expense policy" covers any injury to you (\$20 per year for executives for \$1,000 coverage).

Manners and modes: Now you can track down even the most intelligent fish with an electronic fish-finder, used on small boats (\$725). Write to RCA, Camden, N. J. . . . 1956 was the biggest year ever for purebred dogs. Total registration with the American Kennel Club went to 430,000—up about 70,000 over 1955. Beagles (almost 70,000) are still the favorite, with boxers second (about 40,000) and chihuahuas third (36,000). . . Spain has a new "tourist" exchange rate of 46 pesetas to a dollar—up from 42.5. Centents copyrighted under the general copyright on the Feb. 23, 1957, issue—Business Week, 330 W. 42nd St., New York, N. Y.

# Sorts pulpwood in midstream



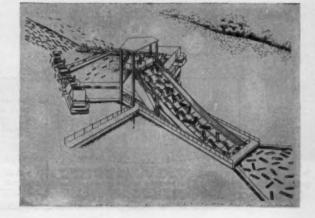
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# Suez Starts a Rush of Migrants

The economic tightening that Suez caused in Europe is sending many Britons, and some Germans and other Continentals, to new homes overseas—thousands of them to labor-short Canada. It's spurring capital abroad to compete for dollar profits in Canada's booming economy.

T's a LONG WAY from Suez to Calgary, but though the route is roundabout, the crisis that shut down the canal is helping to swell Canada's population and is sending a flow of new capital into the country.

The pictures give you one clue to

what's happening:

 Since the first of the year, some 6,000 Britishers each week have lined up outside Canadian immigration offices in London, Liverpool, Glasgow, and Belfast, clamoring for a chance to put down new roots across the Atlantic. Next month another office will open at Bristol.

 There are literally no tourist air passages and no steamship bookings available from the United Kingdom to Canada until mid-May.

Across the Irish Sea, the Canadian immigration office in Dublin is

similarly swamped.

 In West Germany-though of all major Western European nations, it has been the least hit by Suez-the number of visas issued by Canadian immigration offices in January this year was double the year-ago month.

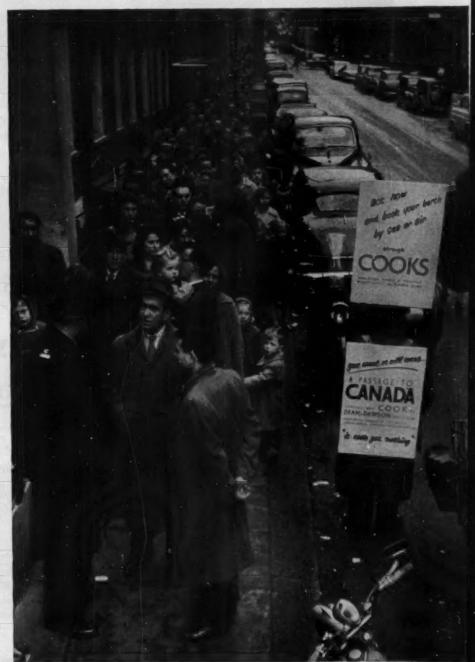
 Last Straw-You can get an idea of the connection with Suez from the comment of one British applicant for Canada. "I don't care if it is a panic surge," he said, "Suez was just the last straw. Imagine putting up with petrol

(gasoline) rationing."

Particularly in the British Isles, and to a lesser degree in Western Europe, thousands are asking themselves: "Should I get out now before there's another big crisis?" It's especially true in Britain because the Suez debacle brought the feeling that Britain can never again be sole master of her fate. Less than four months after Suez, Britain is faced with the most concentrated and determined emigration fever since the dismal days right after the last war. Some estimates put the exodus as high as 300,000 this year.

Not all, by any means, are going to Canada—Australia, for example, expects to take 14,000 in the first three months of this year—but Canada seems to be the first choice of a large proportion. Transport facilities, however, will limit the total going to Canada this year to 50,000.

 Money, Too—The economic aftermath of Suez has also set British and



EMIGRANTS In London, Britishers are besieging the Canadian immigration office at the rate of 3,000 a week. The new wave of migrants includes many skilled craftsmen, engineers, professionals, even many small businessmen. Canada, facing its most acute labor shortage ever, will take as many as planes and ships can carry.



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### ARMCO STEEL CORPORATION

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#### CANADA starts on p. 185

Continental investors and businessmen thinking more avidly about getting in on Canada's boom or enlarging their stake in its future growth. The results are already showing up.

Not unexpectedly, the main British moves to expand in Canada since Suez have been in petroleum. A half-dozen new developments in this field were topped by the announcement of British Petroleum Co., Ltd., that it will build

a \$50-million, 30,000-bbl.-a-day refinery in the Montreal area.

At the same time, West German companies that had been toying with the idea of setting up in Canada are now taking a more serious look.

Added to this is a somewhat mysterious increase in the flow of Swiss capital into Canadian securities. Heavy buying of these securities for Swiss customers was reported just before Suez by some brokerage houses with international connections; since Suez, it has

accentuated. It's mysterious chiefly because when a Swiss bank starts to dicker, no one is quite sure who is buying for whom, or where.

#### I. Welcome Flag

So far, the stepup in the inflow of British and European capital hasn't attracted so much attention in Canada as the immigration boom. For one thing, the money flow isn't so noticeable to the naked eye. For another, the in-



FIRST VIEW of Quebec finds British immigrants ready to land; all processing is now completed by Canadian officials while on boat.



FINAL O.K. for immigrant family comes in shipboard interview-then. . .

ALL ABOARD on first stage of trip to new home in West.

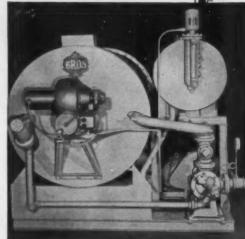


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crease is still too new—it has mainly happened since the first of the year—to bring any obvious reaction as yet, one way or the other. And if it's new in the amount or degree of flow, it's also, in kind, a continuation of postwar trends.

But the boost in immigration is getting plenty of publicity north of the border—and it's arousing a chorus of joyful cheers from newspapers, businessmen, and others, with even the trade unions sounding a harmonious accompaniment. The only sour note comes from harried immigration officials.

Says one official in London, where the immigration office, geared to handle about 600 applications a month, is flooded right now with 3,000 a week: "We are approaching the saturation point. . . This is becoming a national issue."

• Bonanza-In other quarters, the cheering is loud and long.

"We have fallen on a human bonanza," says one top Canadian executive. And Toronto's Financial Post echoes, "The very kind of people we need most."

The reasons for the outbursts of glee are these:

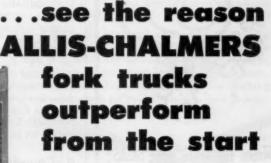
 Most of the British, and a good number of the Germans, are skilled craftsmen, artisans, engineers, with many professional men and women among the British especially. Canada is also getting a share of the skilled workers and technicians who predominate in the stream of refugees from Hungary's Red terror (BW-Jan.5'57, p.46).

• Canada today is facing the most acute labor shortage in its history—more severe even than during the war years, 1939-45. The trend is for fewer teenagers to work, for professional men to retire earlier, for more middle-aged women to enter business. The "war baby" generation of the early 1940s is a long way from maturity. From now until 1965, with Canada's fast-moving capital expansion program under way, labor shortages will be serious.

 New Tune—By and large, it's the best Canadian reaction yet to new arrivals. In the first postwar decade, out of 1.2-million immigrants, 630,000 were skilled or unskilled workers. From 1946 to 1951 immigrant workers supplied half the increase in Canada's working force. Between 1950 and 1955, for two engineers graduated in Canada, one engineer was added by immigration.

But in the late 1940s many Canadians, returning from war to readjust to old jobs or prove themselves in new ones, were resentful of immigrants. Unions feared competition for jobs. Now there are jobs for all. Unions realize that skilled immigrants aren't

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"... since Suez, British moves in Canadian oil have come fast..."

CANADA RUSH starts on p. 185

coming over to work for less, but to work for more.

Industries and government agencies are even sending labor experts to Britain and the Continent to scout the field. The Canadian Metal Mining Assn. has a top engineer and selection expert in Europe now. An expert in the National Employment Service was leaving for London this week.

### II. Canadian Magnet

What set off the emigration wave, of course—especially in Britain—was the Suez debacle, and all the restrictions that followed at home. But for many, Suez was merely the spur for a long-considered leap.

A log of the British applicants makes quite clear that they want to leave Britain not for their own sakes, but for their children's. The street-long queues are filled with young children, entire families. Many applicants are well off; often they have their own small businesses, or professional practices, and have benefited from the recent boom years. But from their stories it's clear that Suez spelled out in capital letters what had long been in the back of their minds: How long can good times last? What will happen if another crisis comes even more disastrous to Britain than Suez?

There are other reasons why the current wave includes so many middle-class Englishmen and highly skilled craftsmen. You hear complaints about the terribly slow system of promotion in British industry: It's the man with scniority, not new ideas, who gets to the top. Recent curtailments in auto manufacture have helped, too.

• Worried—The exodus of these groups casts some gloom. "Can we spare these kids?" asks the London Daily Sketch over a picture of families leaving.

Yet there's some light in the gloom—a feeling that the flow to the strongly British-populated countries of Canada, Australia, and New Zealand will help to strengthen Commonwealth ties at a time when other areas tend to slip away. "We are making the best possible investment in the Commonwealth," the Daily Sketch concludes.

• Lure of the Maple Leaf—The same idea of "staying at home abroad" seems to motivate the emigres' choice of destination—even though there may be seme laments over lack of "welfare state" provisions or over the fact that

"pub life is a British institution completely missing in Canada," where in some provinces "it is forbidden to sing or stand in a bar."

Since 1945 Australia has taken 550,000 British emigrants to Canada's 400,000, and processing requirements "down under" are less stringent. But it's definitely Canada's day right now. Australia House in Britain gets about 3,000 inquiries a week and New Zealand offices 1,000, to Canada's 6,000. Canada's boom seems to be a magnet. And Canada's Dept. of Citizenship and Immigration is doing a better job than formerly in processing, with the final stage done on the boat rather than the landing dock.

Canada's requirements, though strict, are somewhat less stringent than the processing under present U.S. immigration laws. Whatever the reason, in a recent poll of Cambridge undergraduates, for example, only 8% wanted to come to the U.S., against 40% for Canada.

• From Other Lands—The current "boom tone" in Canada—after the unemployment crisis of the winter of 1954-55—has also given a new push to German immigration (about 14% of Canada's total in the first postwar decade). The West German press—the only one in Europe with resident Canadian correspondents—had played up the 1954-55 employment drops, and German immigration fell from 30,000 in 1954 to 18,000 in 1955. Dutch immigration dropped at the same time from 25,000 to 7,000.

Canada also takes about 25% of Italy's emigrants, but there has been little sign of a change since the Suez

### III. Where the Money Is Going

Britons coming to Canada will find plenty of business company. There are about 1,700 British firms in Canada now, ranging from large construction companies to consumer product manufacturers. From 1954 to 1956 British capital was flowing to Canada at the rate of approximately \$80-million a year.

But Suez has given it a big boost. Much of the capital comes through large British outfits, which get dollars released to them in Britain for plant expansion and growth in Canada. Since they are British companies, the dollar earnings go back to Britain.

• Oil-Since Suez, announcements of British moves in oil have come fast:

 Rio Tinto Co., Ltd., the huge British base metal-uranium group, will acquire the £1,444,000 issued capital of Kern Oil Co., with big holdings in Alberta and California.

 Since November, three London financial and mining concerns have put

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up a \$17.5-million stake in new oil development in Alberta.

 A few weeks ago an undisclosed London brokerage house, reportedly working for Rio Tinto, underwrote a \$3-million issue of Devon Palmer Oils, a small, new, but promising oil pro-

· British Petroleum Co., Ltd. (the old Anglo-Iranian Oil Co.) is the largest British company to stage a major expansion move in Canada since Suez. The new \$50-million refinery it will build near Montreal will be ready by 1958. But before the end of next year it will be selling petroleum products under the BP trademark and will launch out on a coast-to-coast chain of stations (BW-Nov.24'56,p139).

· Taking It With You-Though some of the new immigrants have money, the cards are heavily stacked against an individual British businessman who wants to bring his capital with him. An individual owner or partner can' bring out a maximum of only £1,000; anything more goes into a blocked sterling account in the United Kingdom.

What a small British businessman usually does is to sell his business and buy Canadian securities at the London office of a Canadian securities firm, which will pay him off in Canada either in the securities or in dollar equivalent. But he has to pay a premium on the London transaction, plus brokerage on any investments in Canada; and he really has to do well on the Canadian stock market to recoup his exchange losses. This sort of deal is on the upswing, but no one has any firm figures. · Continental Money-The effect of Suez on the German investment picture isn't quite so clear. From 1945 to 1955, German interests poured about \$45million into Canada, not including about \$25-million in plant installations in 1954-56. German industry, pretty well caught up with domestic demand, is quite prepared to compete for hard currency profits in the world's second largest dollar-earning market.

West Germany's lively No. 1 steelpipe producer, Phoenix-Rheinrohr AG (BW-Jan.12'57,p123) already has two pipe mills operating in western Canada. Late last year, Mannesmann Tube Co. announced it will build a \$30-million Western Hemisphere headquarters near Toronto (BW-Dec.8'56,p137).

The post-Suez surge of Swiss money into Canada-from whatever source it may originate-is unmistakable, however. It's siphoning in through two main Swiss outlets, the Swiss Corp. for Canadian Investments, Ltd., and Credit Suisse (Canada), Ltd.-both affiliates of Swiss banks. They are buying nothing but the best-high-yield Canadian utilities bonds and gilt-edged industrial

PIZONTALRO



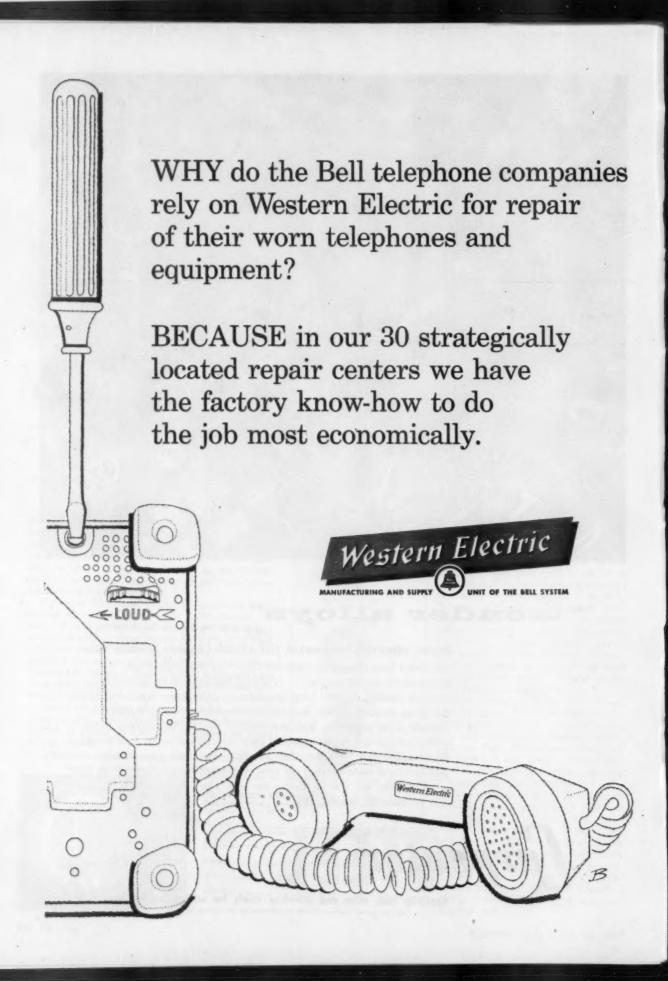
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Dorchester Boulevard in downtown Montreal has been transformed from a shabby street into a big business thoroughfare by a . . .

# Building Boom, Canadian Style

When it comes to new office buildings, Canada's largest city is rivaling most of the metropolitan centers in the U.S. In fact, apart from New York and Chicago (BW-Jan.12'57,p43 and Dec.29'56,p25), it's doubtful whether any U.S. downtown area can match the furious rate of office construction that has been going on in Montreal for the last three or four years.

'A whole new business boulevard (picture) is rising in the heart of Montreal. A street that very recently was lined with shabby buildings—Chinese laundries, tourist homes, small shops with dowdy fronts—now is making a bid to become Montreal's main stem of big business. In keeping with its higher station, Dorchester is now known as Boulevard, not Street.

· Choosy Tenants-There's a big de-

mand for office space in Montreal. But tenants are not flocking into the new office buildings simply because they desperately need a roof over their heads. Actually, there are vacancies in some of Montreal's older, less resplendent office buildings. But these are being passed up in favor of modern, conveniently located office space, even if it costs more—and it does.

The leases in the new buildings are being signed by big companies with main offices in Montreal—chemical companies, utilities, railroads, insurance firms. They need bigger quarters for their expanding operations and they can afford to spread out in style. In addition, modern office space is being demanded by new oil and mining ventures, newly arrived branches of U.S. advertising agencies, international as-

sociations, and crown companies. Government agencies also need more space.

Before the building boom, Montreal's main business streets were Sherbrooke and St. James. They are comparable to New York's Fifth Avenue and Wall Street, respectively. Sherbrooke has many fine—and fully rented—buildings and is centrally located, but there's little room for new construction. St. James is an aging and narrow street. For these reasons, they may soon have to yield to nearby Dorchester as the prestige address for business.

• Birth of a Boulevard—Dorchester got its big boost as the boulevard of office buildings when the city completed a \$20-million street widening project last fall. It now is a 2-mi.-long, 120-ft.-wide, 8-lane thoroughfare.

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three new building projects have been announced for Dorchester. The Monart Corp.-Guy Towers, Inc., group, which recently completed the 13-story terminal center building just behind Dorchester and the 15-story Guy Towers near Sherbrooke, has just begun driving steel piling for a 17-story structure.

Dorchester also will get an \$8.9-million federal income tax building.

And last week, Dorchester Towers,

which completed a 14-story office on the boulevard last spring, began booking space in anticipation of an early start on an adjoining 13-story structure. • Master Plan-But these develop-ments are almost dwarfed by the scope of Canadian National Ry.'s master plan for developing a 23-acre terminal area around its Central Station on Dorchester. The \$20-million, 21-story, 1,200-room Queen Elizabeth Hotel will open in the spring of 1958. Alongside the hotel, CNR has tentatively sketched in plans for a badly needed head office building of its own. And last Oct. 12, the railway signed an agreement with Webb & Knapp (Canada) Ltd. to complete an over-all development plan.

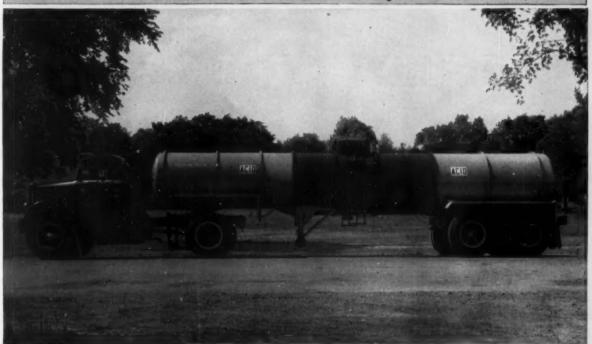
• Office Plaza—According to CNR, Webb & Knapp must submit a plan acceptable to the railway's board of directors by Apr. 12 and is obliged to spend at least \$250,000 in preparing the plan. On acceptance, Webb & Knapp will lease 4.4 of the 23 acres for a period up to 99 years with provisions for renewals of not more than an additional 99 years. The 4.4 acres are to be developed as an office plaza like Rockefeller Center at a cost of about \$125-million. The development will be known as Place Ville Marie and must be erected within five years after Webb & Knapp signs the lease.

• Convenient Location—Aside from the availability of building sites, Dorchester has other advantages to offer builders of office structures. William Marsh of du Pont Co. of Canada's real estate department, who booked seven floors of one of the new Dorchester buildings for his company, explains the street's appeal this way: "For outside visitors we're handy to the hotels and the airlines terminal. And for our own employees there are the two railway stations. Commuter facilities are a key factor in a city without subways."

• Rents—Thus far, the new air-conditioned office space on Dorchester has been going with little sales resistance at between \$4 and \$5 per square foot.

Of course, not all of Montreal's new downtown office buildings are concentrated on Dorchester Boulevard. Peel Centre, a \$2.2-million 14-story building at Peel and Sherbrooke Streets will be ready for occupancy this spring. And ground is expected to be broken next fall for a 17-story twin to a recently completed building on Sherbrooke. END

### TRUCKING . . . Vital Transportation Link



# Leading tank carrier standardizes on Fuller 8-speed ROADRANGER® Transmissions

Fuller 8-speed, semi-automatic ROADRANGER Transmissions will be standard in all new tractors purchased by Leaman Transportation Corporation, Leaman Transportation Company, Inc. and Chemical Tank Lines, Inc. of Downingtown, Pennsylvania.

The combination of these three companies comprises one of the largest tank carrier operations in the world. Since 1930 this organization has used hundreds of Fuller Transmissions . . . and recently added 36 new R-46 ROADRANGERS in new White and International Tractors as part of the standardization on this 8-speed model.

Says D. A. (Dave) Ross, Vice President: "We get the best service from the 8-speed ROADRANGERS in our operation. Some have over 150,000 miles on them, and have not been touched. Our maintenance cost is much less . . . in fact, we haven't had any cost to date since we have had no trouble.

"Our drivers now say they wouldn't have any other transmission. We are able to maintain a higher rpm at all times under a load. This has reduced our engine maintenance cost, and has resulted in improved fuel mileage."

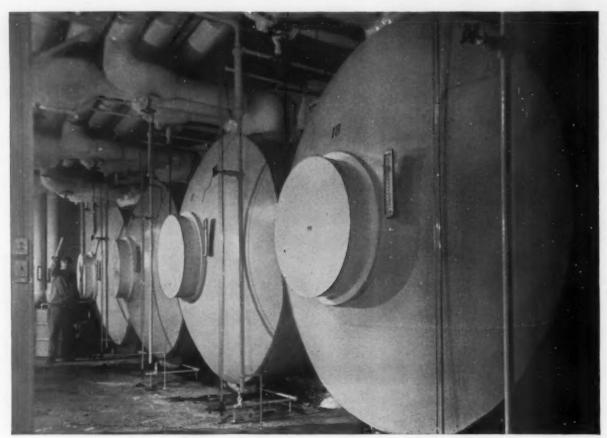
Each tractor averages 6500 miles monthly. During 1955, the company covered 27 million road miles in 31 states, the District of Columbia and Canada...delivering over 1 billion

100 million gallons of petroleum, petroleum products, chemicals and other liquid substances to large and small customers.

For efficient, dependable operation of your trucks, ask your truck dealer now for full details on the easiest-shifting transmission available for your operation. Specify Fuller ROAD-RANGER Transmissions for faster trip times, lower fuel consumption, longer engine life, less driver fatigue and greater profits.



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\*Styrofoam is a registered trademark of The Dow Chemical Company

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# In Canada

# Swedish Financier Stakes a Claim On British Columbia's Potential Wealth

Between \$500-million and \$1-billion of Swedish capital might eventually be spent in developing a 40,000-sq. mi. area of the British Columbia Rockies, under a deal the provincial government announced this week.

The Wenner-Gren Foundation, headed by Axel Wenner-Gren-75-year-old Swedish international financier—has an agreement with the British Columbia government whereby the foundation will have first rights to develop the area in return for a \$5-million, two-year survey of the area and the building of a 400-mile monorail. If the survey results are favorable, the foundation says it will go ahead with the development. The foundation has deposited \$500,000 with the government as evidence of good faith. This will be returned if the foundation carries out its commitments.

The long-run plans are cast in terms of hydroelectric power, mining, forestry (including at least one pulp mill of 100,000 tons annual capacity), communications, transportation. In the process a string of new communities would be established.

The foundation has incorporated a company, Wenner-Gren B. C. Development Co., Ltd., which will start on the survey immediately. Contracts totaling \$3-million already have been let. Actual work will be done by five contracting companies. Lundberg Explorations, Ltd., of Toronto will conduct mineral surveys; Rankin Co. of Toronto, pulp and paper surveys; British Thomson-Houston, Ltd., of London, power surveys; Alweg Co. will plan the building of the monorail; and Hedlunds Travaru A. B. of Sweden will assess timber and forestry possibilities.

The monorail, for years a pet idea of Wenner-Gren's (BW-Feb.25'56,p28), would allow cars to travel well above the ground, and minimize the effect of snow. The British Columbia project will link the Pacific Great Eastern Ry. with the Yukon border. Its construction is to start in 1960.

# Trans-Canada Taps the Money To Finance \$372-Million Pipeline

Trans-Canada Pipe Lines, Ltd., currently engaged in building the \$372-million, 2,240-mile natural gas pipeline from the Alberta-Saskatchewan border to Montreal, has finally floated a public issue of securities.

The \$81,505,000 Canadian offering of \$150 debenturestock units was heavily oversubscribed, and on its first day of public trading last week reached a high of \$165 per unit. At the same time, over \$30-million of units was offered in the U.S.

Absorption of the entire offering in the Dominion

would insure more than 70% Canadian equity ownership. This is based on 3,684,311 shares owned in Canada (including 975,976 common shares held by management) of the 5,678,184 shares outstanding.

Each unit consists of one \$100 30-year subordinate debenture and five shares of common stock at \$10 per share. In Canada, the debentures will bear 5.85% interest; in the U.S., 5.6%.

Financing of the trans-Canada pipeline has a turbulent history dating from last summer's brawl in the Dominion government over whether the pipeline should be publicly or privately built; and whether Trans-Canada Pipe Lines was capable of financing the project even with the government loan of \$80-million that eventually was approved by Parliament. Since that time, there has been continued speculation as to whether Trans-Canada could raise the money, particularly in view of the government's tight money policy. However, last fall it became increasingly clear that unexpectedly large contracts for gas with communities along the pipeline would change the picture (BW—Oct.27'56,p194).

In January, the government passed an order in council certifying the company's ability to finance the line. This financing consists of \$104-million first mortgage bonds; a \$20-million bank loan on pledge of bonds; \$15.5-million raised by the original sponsors; a loan of about \$120-million through a crown company; and last week's public

### British Oil and Aluminum Set Up Shop in Quebec

British Petroleum Co., Ltd.—formerly Anglo-Iranian Oil Co., Ltd.—will set up a refinery and distribution and marketing facilities at Ville d'Anjou near Montreal. The estimated cost is between \$50-million and \$60-million.

Construction of the \$30-million, 300,000-bbl.-a-day refinery will begin soon, and should be completed in two years. However, the company plans to start marketing petroleum products under the BP trademark within a year.

Crude oil for the refinery will be imported from the Middle East and will be piped three miles from a St. Lawrence dock. The Montreal area already has over a third of the nation's refining capacity.

Distribution of petroleum products at first will be made only in the Montreal area, but gradually the company plans to open up service stations coast to coast. Several service station sites already have been bought in Montreal.

British Petroleum, which holds a federal charter under the name British Petroleum (Canada) Ltd. has another interest in Canada—a 50% holding in Triad Oil Co. of Calgary, which is engaged in oil exploration in West Canada.

British Petroleum is the second major British company to move into Quebec recently. Canadian-British Aluminium Co., Ltd., a subsidiary of British Aluminium Co., Ltd., is building an aluminum smelting plant at Baie Comeau with an ultimate planned annual capacity of 160,000 tons.



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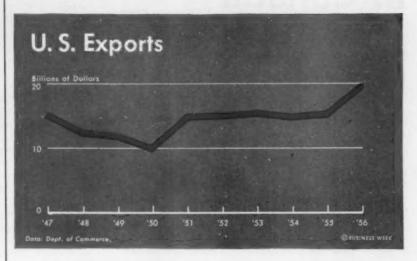
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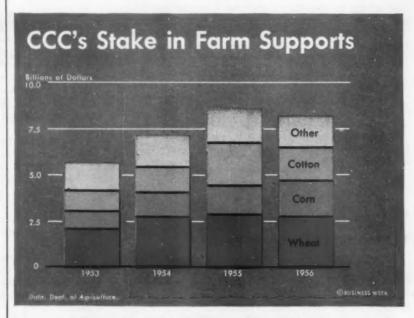


### A Sharp Upturn

U. S. exports soared close to the \$19billion mark in 1956-up over \$3-billion from 1955 for the largest year-to-year gain since 1951. The percentage rise of 22%, however, wasn't as dramatic as the 46% recorded from 1950 to 1951. Exports ran ahead of the year-ago levels throughout 1956, but the spread was

much wider in the last half of the year. The December rise in exports was very

Sales of surplus commodities abroad, increased export of U.S. oil necessitated by the Middle East crisis, and European demand for coal were among the factors responsible for the rise.

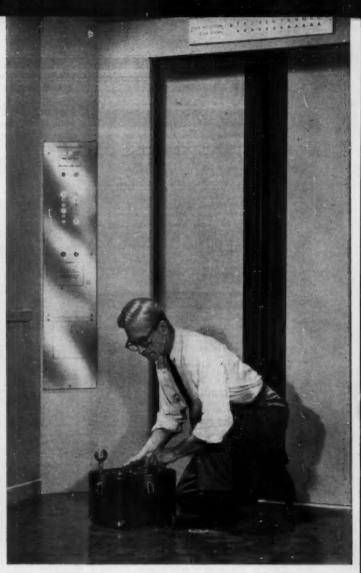


### Farm Surpluses Are Shrinking

More than 5% was sliced off U. S. tied up in its price-support program as farm surpluses last year. The Commodity Credit Corp. had \$8.2-billion \$8.7-billion a year earlier.



Independent sound laboratory engineer checks decibel readings in one of many New York executive offices tested.



Sound level meter readings were also taken while elevators were traveling from floor to floor in normal operation.

# Tests Prove Westinghouse Elevators are as Quiet as Executive Offices

Westinghouse Engineering rids elevators of noise...increases passengers' comfort

Comparative sound meter tests performed recently throughout the New York Metropolitan area prove that you enjoy the same quiet atmosphere in today's Westinghouse Elevator as that found in the finest top-executive offices. Yes, noise has been successfully engineered out of elevators by the perfection of a scientifically sound deadened system. Noise isn't "masked" in a Westinghouse elevator—it just isn't there to begin with.

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#### CAPITAL TO INVEST

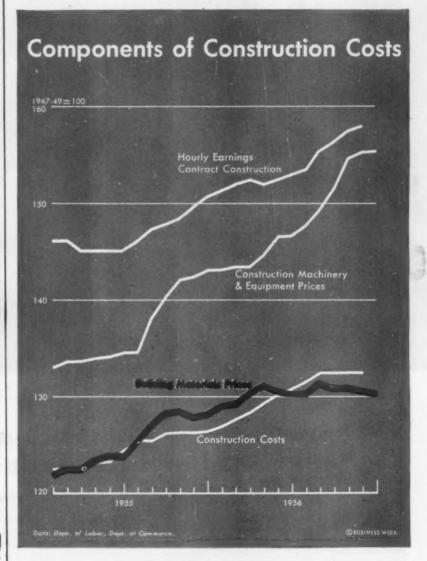
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CCC's wheat, worth \$2.7-billion, reached its lowest point since 1953; yet it still was the largest single item on the surplus list. The total value of pricesupport cotton declined sharply largely because of Agriculture Dept's surplus disposal program. The department reported that 7-million bales of upland cotton have been sold for export since Jan. 3, 1956, though the surplus, net,

has been reduced only modestly. The department says, this is by far the most cotton ever merchandised in that length of time. And the export sales program is being carried on without demoraliz-ing world prices.

Food donations - for feeding school children and Hungarians in Hungary and Austria, for example - have also

helped to shrink the surplus.



### Advances in All Sectors

Over-all construction costs moved up 5% last year, the sharpest increase in five years. Building material costs showed a gain of about 4% for 1956, but leveled off in the last half of the

• Labor costs rose 5% on the average - the increases in the final months being sharper than earlier in the year.

 Construction machinery and equipment costs rose about 8% over 1955the steepest rise coming after the wageprice boost in steel.

· Building materials were up about 4%, despite declines in lumber and plywood prices. Increases were chalked up in structural steel, Portland cement, and paint.

### ADVERTISERS IN THIS ISSUE

### Index for Business Week February 23, 1957 Issue

Agency-Puller & Smith & Ross Inc.
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AGENCY, INC. Agency—Robert W. Orr & Assoc. Inc. Agency—Robert W. Orr & Assoc. Inc. Alemite Div. Of Stewart Warner
ALLIS-CHALMERS MFG. CO., BUDA DIV 188
Agency—Bert S. Cittins Adv., Inc. ALUMINUM CO. OF AMERICA
Agency-Ketchum, MacLeod & Grove, Inc.
AMERICAN BLOWER CORP 7
AMERICAN BLOWER CORP. 7 Agency—Brooke, Smith, French & Dorrance, Inc. AMERICAN CHEMICAL PAINT CO 20
APSCO PRODUCTS, INC. 41
Agency-Julian R. Besel & Assoc.
ARIZONA DEVELOPMENT BOARD 142 Agency—Jornings & Thompson Adv., Inc. ARMCO STEEL CORP
Agency—Jennings & Thompson Adv., Inc. ARMCO STEEL CORP
ARMSTRONG CORK CO
Agency-Ogilvy, Benson & Mather, Inc.
Agenes-Comstock & Co.
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Agency-Gardner Adv Co
DEMIS BRO. BAG. CO
BETHLEHEM STEEL CO
BLAW-KNOX CO
Agency-Ketchum, MacLeod & Grove, Inc.
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BRISTOL ,CO
CHARLES BRUNING CO., INC
Agency-H. W. Kastor & Sons Adv. Co., Inc.
Agency-Melvin F. Hall Adv. Agency, Inc.
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Agency Beaumont Helier & Sperling Inc.
CELANESE CORP. OF AMERICA
CHART-PAK, INC
Agency—Cooney & Connor, Inc.  Agency—James Thomas Chirura Co., Inc.  Agency—James Thomas Chirura Co., Inc.  GMARLES BRUNING CO., INC.  116  Agency—H. W. Kastor & Sons Adv. Co., Inc.  117  BUFFALD FORGE CO.  Agency—McVin F. Hall Adv. Agency, Inc.  BUTLER MFG. CO., Inc.  Agency—Authrey, Finlay, Mariery & Hodgeon, Inc.  Agency—Beaumont, Heller & Sperling, Inc.  ELAMESE CORP. OF AMERICA.  Agency—Bullington & Co., Inc.  CHART-PAK, INC.  Agency—Co., 8, Tyson & Co., Inc.  CHICAGO BRIDGE & IRON CO.  MICAGO BRIDGE BRID
Amenor-Russell 7. Gray. Inc.  C.T. CORP. 14  CLARK INDUSTRIAL TRUCK DIV. CLARK EQUIPMENT CO. 92-93  Agency-Marsteller, Bickard, Gebbardt & Reed, J. L. CLARK MFG. CO. 86
Agency-Fuller & Smith & Ross, Inc.
CLARK INDUSTRIAL TRUCK DIV. CLARK
Agency-Marsteller, Rickard, Gebhardt & Reed,
J. L. CLARK MFG. CO 86
Agency—Marsteller, HOSkird, Gerbardt & Reed, Inc. J. L. CLARK MFG. CO. Se Agency—Waldle & Briggs, Inc. CLARKE SARDING MACHINE CO. LARKE SARDING MACHINE CO. LARY CORP. Jan. Agency—Night Sees Schmidt & Serion CLARY CORP. Jan. Jan. Jan. Jan. Jan. Jan. Jan. Jan
Agency-Van Stee, Schmidt & Seften
Agency - Erwin Wasey & Co., Inc.
CLUES (CLASSIFIED ADVERTISING)202
Agency-H. M. Klingensmith
COLSON CORP. 192 Agency Rothbardt & Haas Adv. Inc. COLUMBIA SOUTHERN CHEMICAL CORP. 127
Agency Rothbardt & Haas Adv. Inc. COLUMBIA-SOUTHERN CHEMICAL CORP. 127
COMMERCIAL CREDIT CO
Agency-Van Sant, Dugdale & Co., Inc. COMMONWEALTH OF PENNSYLVANIA183
Agency - Kastor, Farrell, Chesley & Clifford, Inc.
COUMBIA-SOUTHERN CHEMICAL COMP. 127 Agency—Ketchun, MacLeod & Grove, Inc. COMMERCIAL CREDIT CO. 62 Agency—Van Sant, Dugdale & Co. Inc. COMMONWEALTH OF PENNSYLVANIA. 183 Agency—Kastor, Farrell, Chesley & Clifford, Inc. CONTINENTAL CAN CO. 922-163 Agency—Batten, Barton, Durstine & Osborn, Inc.
CURTISS-WRIGHT CORP 74
DAVIDSON CORP
Agency-Philip I. Ross Co.
COMMONWEALTH OF PENNSYLVANIA. 188 Agency—Asator Farrell, Chesley & Clifford, Inc. CONTHENTAL CAN CO. CONTHENTAL CAN CO. Agency—Batten, Barton, Durstine & Osborn, Inc. CURTISS WRIGHT CORP. 74 Assence Burch Dowling Adams, Inc. 69 Assence—Philip I. Ross Co. Detecto Scales, Inc. Assency—J. M. Kesslinger & Assence. 111 Agency—J. M. Kesslinger & Assence. 112 Agency—Rells-Vason, Inc. DOW CHEMICAL CO. DOW CHEMICAL CO. DOW CHEMICAL CO. 198 Agency—Monus. John & Adams, Inc.
OF W. R. GRACE & CO
Agency-Kelly-Nason, Inc.
Agency McManus, John & Adams, Inc.
E. I. DUPONT DE NEMOURS & CO
EASTMAN CHEMICAL PRODUCTS, INC 122
EASTMAN KODAK CO
DEWEY & ALMY CHEMICAL CO., DIV.  OF W. R. GRACE & CO
Agency-J. Walter Thompson Co.
OF U. S
Agency—J. Walter Thompson Co. EQUITABLE LIFE ASSURANCE SOCIETY OF U.S. Agency—Kenyon & Eckhardt, Inc. FACIT, INC. 58
a seminar around a constitution of the constit

FAULTLESS CASTER CORP141
FAULTLESS CASTER CORP
FLYING TIGER LINE
FLYING TIGER LINE 70 Agency—Hixson & Jorgensee, Inc., Adv. FORTY-EIGHT INSULATIONS, INC
Agency-Waynesboro Adv. Agency
FULLER MFG. CO
GEISS-AMERICA 200 Agency Gourfain-Cobb Adv. Agency Inc. GENERAL ELECTRIC, CHEMICAL 6 METALLURGICAL DIV. 18
GENERAL ELECTRIC CO. (LAMP DEPT.) 129
Agency-Batten, Barton, Durstine & Osborn, Inc. GENERAL ELECTRIC CO. (X-RAY DEPT.), 78 Agency-Klau-Van Pietersom-Dunlap, Inc. GENERAL MOTORS CORP. (CHEVHOLET
MOTORS DIV.)
Asency—Campbell-Evald Co. GENERAL PRECISION EQUIPMENT CORP. 138-137
CORP. Agency—Geer, DuBois & Co., Inc. GENERAL YELEPHONE SYSTEM 100 Agency—H. B. Humphrey, Alley & Richards, Inc. THE GLIDDEN CO. Agency—Meldrum & Fewamith, Inc.
Agency—H. B. Humphrey, Alley & Richards, Inc. THE GLIDDEN CO
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Agency-Kudner Agency, Inc.  GRINNELL CO., INC.  II Acency-Noves & Co.  GUARANTY TRUST CO. OF NEW YORK 133  Agency-Albert Frank-Guenther Law, Inc.  GULF OIL CORP.  28-27  Agency-Ketchum, MacLeod & Grove, Inc.
Agency-Albert Frank-Guenther Law, Inc. GULF OIL CORP
THE HALDID CO
Agency—Hutchins Adv. Co., Inc.  HAMILTON MFG. CO. 30  Agency—Caldwell, Larkin & Sidener-Van Riper,
Inc.
HARNISCHFEGER CORP. 119 Agency—Hoffman & York, Inc. HERCULES POWDER CO. 22
Agency-Fuller & Smith & Ross, Inc.
HILTON HOTELS CORP. 101
HINDE & BAUCH
Agency-Howard Swink Advertising Agency, Inc. HOOKER ELECTROCHEMICAL CO
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TELEGRAPH CORP. 21 Agency J. M. Mathes, Inc. INVINCIBLE METAL FURNITURE CO. 180 Agency Klau-Van Pieterson-Dunlap, Inc. JENKINS BROS. 44 Agency Darrell Prutaman Assoc. JESSOP STEEL CO. 158 Agency Hond & Starr, Inc. JOHNS-MARVILLE CORP. 13 Agency J. Walter Thompson Co. KAYDON ENGINEERING CORP. 43 Agency Klau-Van Pieterson-Dunlap, Inc.
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J. F. PRITCHARD & CO
RELIANCE ELECTRIC & ENGINEERING OR SE
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INC 84
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# Moscow Has Its Worries, Too

At a time when Washington is in something of a dither over both the Administration's budgetary policy and its foreign policy, it is worth noting that Moscow is in the same fix—only more so.

During the past two weeks, the Soviet leaders have been forced to announce both a change in foreign ministers and a change in their budget allocations that involves a severe cutback in the growth rate of the Soviet economy.

There can be little doubt as to the reasons for the industrial slowdown. It simply means, as we have long suspected, that the Soviet economy isn't capable of miracles. For some years now the Kremlin has been trying to (1) plow back enough capital each year so that Soviet industry could overtake U. S. production in 15 or 20 years; (2) satisfy rising consumer demands; and (3) compete with the U. S. in producing the latest in guided missiles and other nuclear weapons. By the end of last year it became apparent that something had to give somewhere. And the Soviet leaders decided it would have to be the rate of industrial expansion.

As to Moscow's foreign policy problems, we don't pretend to know exactly why loquacious Dmitri Shepilov, onetime protege of Khrushchev, has been replaced by taciturn Andrei Gromyko, a Molotovtrained expert in delaying tactics. Perhaps it just means that the Khrushchev-Bulganin regime has suffered such serious reverses in the past year, especially in Eastern Europe, that someone had to pay the price. In any case, we doubt if the shift means what some Western observers fear—a return to the kind of cold war Stalin waged. That would be the surest way for the Kremlin to make the arms race even hotter, and the strains on the Soviet economy more unbearable.

### A Wider Door

The inadequacy of our immigration laws, which was painfully demonstrated since the mass escapes from Communist-dominated Hungary, has prompted Pres. Eisenhower to recommend a thorough revision of policies and regulations affecting aliens.

In asking Congress to take action, the President made a twin proposal that would raise the ceiling on the total number of immigrants that could gain entry to the U.S., and would also increase the proportion from countries that now have small quotas.

These proposals make sense. The present quota system, based as it is on the ethnic distribution of Americans in 1920, is sadly out of date. Great Britain has over one-third of all immigration quotas, but with only a fraction of these being used, actual immigration does not conform to the quota. Indeed,

it serves mainly to keep prospective immigrants out.

The White House points out that both past economic history and future expectations justify increased immigration. By opening our doors a bit wider, we would not put any native workers in jeopardy. On the contrary, by offering opportunities to new Americans we would increase the potential wealth of all Americans.

### Too Many Strings

To a certain extent the Taft-Hartley Act was a reaction against union excesses and mishandling of labor disputes by the Democratic Administrations. One of the things the drafters of the law wanted to eliminate was the then-prevailing practice of the President's impaneling a special board or tribunal to examine a labor dispute and make recommendations for its settlement. The feeling was that, too often, these boards were more labor-minded than impartial, and that their recommendations were taken by the White House and forced down the throat of resentful employers.

Accordingly, the Taft-Hartley Act provided a legal process for the establishment of such boards when, in the judgment of the President, a labor dispute was grave enough to threaten a national emergency. But the law very specifically confined the function of these boards to an examination and report on the facts involved in the dispute; making recommendations was barred.

Now—and not for the first time—the dispute that closed all East Coast ports north of Hampton Roads has survived the use of Taft-Hartley's "national emergency" provisions. Despite a declaration of emergency by the President, a fact-finding report, an 80-day injunction against striking, and intensive efforts by federal mediators, the longshoremen's strike resumed and the dispute continued. We think it might have been ended if the excellent board that Pres. Eisenhower appointed had been permitted to formulate recommendations, make them public, and let everybody interested know what, in the board's detached view, was a fair basis for settlement.

Because of the errors of past Administrations, this one, and those that will follow it, should not be banned from using what is sometimes the most practical and sensible method for bringing public opinion to bear constructively on labor disputes. Pres. Eisenhower should have the discretion to call for recommendations from a Taft-Hartley board when he thinks they will be helpful. Congress should give him that authority. Any abuse of it will be challenged by a more sophisticated public and a more mature management and labor group than existed in the days of Roosevelt and Truman.

## LUBRICANT CONSUMPTION CUT 30% PER KW/HOUR!

One of many maintenance savings achieved at Hershey Chocolate Corporation plants with the help of Socony Mobil



Hershey's steam turbo-generators develop over 84 million kilowatthours annually to supply its 2066-ton refrigeration units and other power plant needs. Records show that recommendations by Mobil engineers have cut lubricant consumption by 30% per kilowatt-hour. Not a single hour has been lost due to faulty lubrication . . . extremely little wear show on refrigeration compressor parts—over a ten-year period. In addition, production has been improved, main-

tenance costs cut in many other ways.

Here is another example of Correct Lubrication in Action . . . of the engineering services you get when you rely on Socony Mobil products. You get complete analysis of your plant's lubrication needs . . . recommendations of correct lubricants . . . plant training of your personnel in proper lubrication procedures . . . laboratory analyses of products in use . . . progress reports on benefits achieved. Can you afford to accept less for your plant?

Specify Socony Mobil and get service like this!



Leakage eliminated by correct grease

Oil leakage through flexible couplings formerly necessitated make-up four times a year. Mobil representative recommended greases instead. No make-up required for last two years.



Over \$2000 saved in reclaimed oil

Following recommendation of Mobil engineer, Hershey plant began reclaiming oil. Now standard procedure, it saves over \$2000 annually.



Storage inventory reduced

43 grades of lubricants used over a period of years were replaced with 21 Socony Mobil oils and greases. This reduction in inventory cut handling and accounting time.

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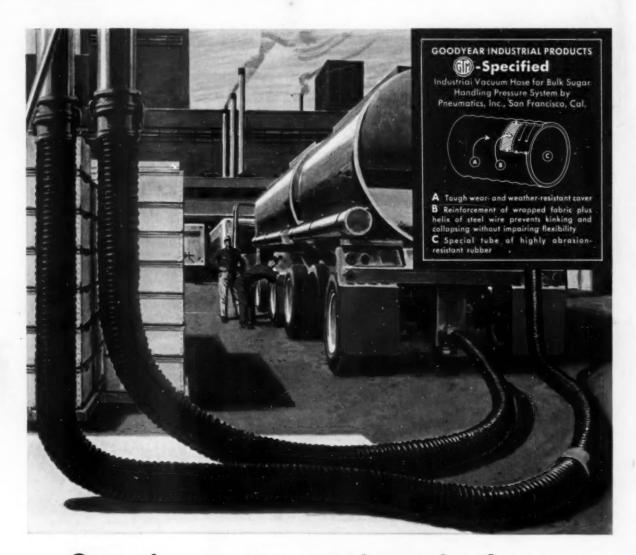
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# Swoosh-up goes a year's supply of sugar

Too slow and too costly was the old bag-by-bag method of handling bulk sugar. So there was an eager market for the new, pneumatic system that literally blows a year's supply of sugar into a food plant or candy factory—at the rate of 20 tons an hour.

A missing link, however, was the hose line capable of carrying the murderously abrasive flow from truck to supply bins. Flexible steel tube was too short-lived and too hard to handle. Rubber-coated canvas hose was light enough, but wore out in a matter of weeks. So a call went out for the G.T.M.—Goodyear Technical Man.

It didn't take him long to solve this one. Goodyear

Industrial Vacuum Hose is muscled with a helix of steel wire to take plenty of punishment—is lined with a special tube of highly abrasion-resisting rubber. Result: a super-tough yet easy-to-handle hose that's helping cut sugar handling costs 17 to 30¢ per hundred pounds under that shipped by the bag.

Dollar-saving answers to tough problems are a specialty with the G.T.M:—wherever industrial rubber problems are involved. To turn his problem-solving ability loose on what's stumping you, contact your Goodyear Distributor. Or write Goodyear, Industrial Products Division, Akron 16, Ohio.

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